

Company Registration No. 02405903 (England and Wales)

ADVANCED INSULATION SYSTEMS LIMITED

**ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
30 SEPTEMBER 2019**



ADVANCED INSULATION SYSTEMS LIMITED

COMPANY INFORMATION

Directors

A D Bennion
A M King
S H Shepherd

Company number

02405903

Registered office

Unit E Quedgeley West Business Park
Bristol Road
Gloucester
Bristol
GL2 4PA
United Kingdom

Auditor

RSM UK Audit LLP
Chartered Accountants
Hartwell House
55-61 Victoria Street
Bristol
BS1 6AD

ADVANCED INSULATION SYSTEMS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors present the strategic report and financial statements for the year ended 30 September 2019.

The company's principal activity continues to be the manufacture, supply and application of fire retardant coatings and sub-sea insulation materials to the oil, gas and petrochemical industries.

The company is part of the Group headed by Advanced Insulation Holdings Limited whose accounts are publicly available at the registered address.

Review of the business

The company generated an operating profit of £2,095,624 compared to £804,208 in 2018 with revenue of £26,014,564 versus £21,642,993 in 2018. The Return on Sales generated was 8.1% (2018: 3.7%) which was in line with expectations. Management considers these to be the KPI's of the company.

Management has elected to apply IFRS 9: Financial instruments in the year. The impact is non-cash affecting and has been accounted for in the current year as exceptional costs.

Principal risks and uncertainties

Group sales are dependent on capital investment in the energy industry. Demand is still depressed following the protracted period of low oil price. However, there is increasing market activity presenting significant opportunities for the Group. This coupled with the introduction of new products has enabled the Group to forecast reasonable growth for 2020 and significant growth for 2021.

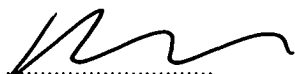
Margins remain under pressure as our customers look to cut costs and competition intensifies due to the market contraction. However, the Group has been able to maintain margins at good levels due to a very successful cost reduction programme.

Future developments

The Group will continue to invest up to 10% of its revenue to support its extensive Research and Development programmes. These are focused on developing new products as well as enhancing the performance of the existing product portfolio. The Group will begin the roll out of new products developed for the renewable energy sector as well as expand the product range into the wider energy sector.

The policy is fundamental to ensuring the Group will be well placed to take advantage of future growth in the energy industry and keep the Group at the forefront of its technologies.

On behalf of the board



A D Bennion

Director

Date: 12/02/20...

ADVANCED INSULATION SYSTEMS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors present their annual report and financial statements for the year ended 30 September 2019.

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A D Bennion
A M King
S H Shepherd

Directors' insurance

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the reporting date.

Financial risk and management objectives and policies

The management of the company and the execution of its strategy are subject to a number of risks. The principle risk and uncertainties affecting the group include the following.

Liquidity and interest rate risk

In order to maintain liquidity, and to ensure sufficient funds are available for ongoing operations and future developments, the Group use working capital funding from its bankers.

The company does not undertake any hedging in this area

Foreign currency risk

The Group deals in multiple currencies which can cause foreign exchange risk. There is a risk that there may be an adverse movement in the exchange rate of the transaction currency in relation to the functional currency before the date when the transaction is completed.

It is company policy that exposures resulting from sales and purchases in foreign currency are matched where possible, and the net exposure may be hedged by the use of forward exchange contracts. The company does not undertake speculative foreign exchange dealings for which there is no underlying exposure. Hedge accounting is not used.

Credit risk

The Group is subject to the risk of financial loss if a customer fails to meet its contractual obligations.

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are carried out on all customers requiring credit. The Group minimises this risk by use of credit insurance and trade finance instruments such as letter of credit. At the balance sheet date there were no significant concentrations of credit risk.

The Group predominately operates in the Oil and Gas Industry and is therefore subject to the risks of this market. The Group looks to manage this risk by working with its customers on price expectations in the current climate and continuing with extensive Research and Development programmes to ensure the Group remains at the forefront of its technologies.

ADVANCED INSULATION SYSTEMS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Auditor

RSM UK Audit LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Other matters included in Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of the principal activity and future developments of the company.

On behalf of the board



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A D Bennion

Director

Date: 12/02/20.....

ADVANCED INSULATION SYSTEMS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors are responsible for preparing the Strategic Report, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101"). 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADVANCED INSULATION SYSTEMS LIMITED

Opinion

We have audited the financial statements of Advanced Insulation Systems Limited (the 'company') for the year ended 30 September 2019 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and notes to the financial statements, 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 FRS 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 30 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 Auditor's 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 UK, including the FRC'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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADVANCED INSULATION SYSTEMS LIMITED (CONTINUED)

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 strategic report or 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, 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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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 auditor's 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.



Hywel Pegler (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

Hartwell House

55-61 Victoria Street

Bristol

BS1 6AD

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ADVANCED INSULATION SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	2019 £	2018 £
Turnover	4	26,014,564	21,642,993
Cost of sales		(17,098,450)	(14,563,226)
Gross profit		8,916,114	7,079,767
Administrative expenses		(6,845,880)	(6,442,585)
Other operating income		25,390	167,026
Operating profit	6	2,095,624	804,208
Interest receivable and similar income	8	48,624	26,299
Interest payable and similar expenses	9	(36,739)	(62,333)
Other gains and losses	10	(79,080)	(204,471)
Exceptional costs		(711,544)	-
Profit before taxation		1,316,885	563,703
Tax on profit	11	(754,233)	1,210,394
Profit and total comprehensive income for the financial year		562,652	1,774,097

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There were no recognised gains and losses for 2019 or 2018 other than those included in the profit and loss account.

There was no other comprehensive income for 2019 (2018: £Nil)

ADVANCED INSULATION SYSTEMS LIMITED**BALANCE SHEET****AS AT 30 SEPTEMBER 2019**

	Notes	2019 £	2018 £
Fixed assets			
Intangible assets - goodwill	13	984,217	984,217
Other intangible assets	13	4,297,534	5,058,664
Tangible fixed assets	14	3,700,970	3,959,750
Investments	15	127,637	127,637
		<u>9,110,358</u>	<u>10,130,268</u>
Current assets			
Stocks	17	3,233,835	2,604,469
Other debtors	18	25,543,185	22,488,710
Current tax recoverable		1,263,918	639,001
Deferred tax asset	22	-	855,500
Cash at bank and in hand		1,834,510	3,351,318
		<u>31,875,448</u>	<u>29,938,998</u>
Creditors: amounts falling due within one year			
Creditors	19	27,206,523	25,951,982
Taxation and social security		135,832	196,025
Derivative financial instruments		171,155	110,155
Obligations under finance leases	21	392,939	469,246
		<u>27,906,449</u>	<u>26,727,408</u>
Net current assets		<u>3,968,999</u>	<u>3,211,590</u>
Total assets less current liabilities		<u>13,079,357</u>	<u>13,341,858</u>
Creditors: amounts falling due after more than one year			
Obligations under finance leases	21	40,912	331,596

ADVANCED INSULATION SYSTEMS LIMITED**BALANCE SHEET (CONTINUED)****AS AT 30 SEPTEMBER 2019**

	Notes	2019 £	2018 £
Provisions for liabilities			
Deferred tax liabilities	22	801,618	-
Other provisions	23	-	1,336,087
		<u>801,618</u>	<u>1,336,087</u>
Net assets		<u>12,236,827</u>	<u>11,674,175</u>
Capital and reserves			
Called up share capital	25	150,000	150,000
Profit and loss reserves		<u>12,086,827</u>	<u>11,524,175</u>
Total equity		<u>12,236,827</u>	<u>11,674,175</u>

The financial statements were approved by the board of directors and authorised for issue on 12/02/20 and are signed on its behalf by:



A D Bennion
Director

ADVANCED INSULATION SYSTEMS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 October 2017		150,000	11,750,078	11,900,078
Year ended 30 September 2018:				
Profit and total comprehensive income for the year		-	1,774,097	1,774,097
Dividends	12	-	(2,000,000)	(2,000,000)
Balance at 30 September 2018		150,000	11,524,175	11,674,175
Year ended 30 September 2019:				
Profit and total comprehensive income for the year		-	562,652	562,652
Balance at 30 September 2019		150,000	12,086,827	12,236,827

ADVANCED INSULATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies

Company information

Advanced Insulation Systems Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit E Quedgeley West Business Park, Bristol Road, Gloucester, Bristol, United Kingdom, GL2 4PA.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with Financial Reporting Standard 101: "Reduced Disclosure Framework" ("FRS 101").

In preparing these financial statements, the company applies the recognition and measurement requirements of International Financial Reporting Standards as adopted by the EU ("IFRS"), amended where necessary in order to comply with Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost basis. The principal accounting policies adopted are set out below.

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions from the requirements of IFRS:

- the requirements of IFRS 7 Financial Instruments;
- the requirements of IFRS 15 (disaggregation of revenue);
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- related party disclosures for transactions with the parent or wholly owned members of the group.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group. Where required, equivalent disclosures are given in the group accounts of Advanced Insulation Holdings Limited.

Advanced Insulation Systems Limited is a wholly owned subsidiary of Advanced Insulations Holdings Limited. The results of Advanced Insulation Systems Limited are included in the consolidated financial statements of Advanced Insulations Holdings Limited, which are available from Unit E, Quedgeley West Business Park, Bristol Road, Gloucester, Bristol, United Kingdom, GL2 4PA.

Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Directors have been notified that funders remain supportive to the business at the reporting date.

ADVANCED INSULATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies (Continued)

Turnover

Turnover is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each arrangement with a customer, the Company: identifies whether the arrangement meets the definition of a contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each performance obligation to be delivered; and recognises turnover when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

A sale of goods is recognised when the company has transferred to the buyer the significant risk and rewards of ownership, generally when the customer has taken undisputed delivery of the goods.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts or any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby turnover will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative turnover recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Whenever applicable, the Company applies the variable consideration allocation exception to recognise turnover for variable amount related to a distinct service that forms part of a single performance obligation.

Contract accounting

The Company enters into long term contracts with customers that are typically treated as a single performance obligation to cover the design, manufacture and installation of the Company's products. A percentage-based cost of completion approach is applied as turnover is recognised over time. Warranty costs are identified as separate performance obligations only in the very rare circumstances that the warranty term varies significantly from the prevailing standard within the industry.

The Company's trade debtors are all related to the value of turnover receivable from contracts with customers.

Interest

Interest turnover is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

ADVANCED INSULATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies (Continued)

Intangible assets other than goodwill

Initial recognition

Expenditure on the research phase of projects to develop new products or internally developed software is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- is technically and commercially feasible
- the company intends to and has sufficient resources to complete the project
- the company has the ability to use or sell the developed goods
- the software will generate probable future economic benefit

Directly attributable costs include employee costs incurred along with an appropriate portion of relevant overheads and borrowing costs. Development costs not meeting these criteria for capitalisation are expensed as incurred.

Subsequent measurement

All finite-lived intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. Where an indicator of impairment exists they are subject to impairment testing.

The following useful lives are applied:

Development costs	15 years straight line
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When an intangible asset is disposed of, the gain or loss on disposal determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

Tangible fixed assets

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

Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised within administrative expenses in the income statement.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	4 years straight line
Plant and equipment	4 - 10 years straight line

ADVANCED INSULATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies (Continued)

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Fixed asset investments

Investment in subsidiary undertakings are stated at cost less any applicable provision for impairment.

Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Stocks

Raw materials and work in progress are stated at the lower of cost measured using the "average cost method" and net realisable value after making due allowance for obsolete and slow-moving inventory.

Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased stock are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Trade debtors and other debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

ADVANCED INSULATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies (Continued)

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial assets

Financial assets are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Other than the financial assets in a qualifying hedging relationship, the company's accounting policy for each category is as follows:

Financial assets at fair value through profit or loss

This category comprises only in-the-money derivatives. These are carried in the balance sheet at fair value with changes in fair value recognised in the profit or loss account.

Financial assets held at amortised cost

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method.

Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the profit or loss account. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Financial liabilities

The company classifies its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was acquired.

ADVANCED INSULATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies (Continued)

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of selling or repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

The category comprises only out-of-the money derivatives. They are carried in the balance sheet at fair value with changes in fair value recognised in the profit or loss account.

At amortised cost

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable. Tax is recognised in the profit or loss account, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

ADVANCED INSULATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies (Continued)

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017 (on 6 September 2017). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Provisions

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised in the profit or loss when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an overflow will be required in settlement is determined by considering the class of obligations as a whole. Where the time value of money is material provisions are discounted to their present values, using a pretax discount rate that reflects the current market assessment of the time value of money and the risks specific to the liability.

Any reimbursement that is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

ADVANCED INSULATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies (Continued)

Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Prepaid contributions are recognised as an asset. Unpaid contributions are reflected as a liability.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the company will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

The company does not act as a lessor.

Foreign exchange

Foreign currency transactions are translated into the functional currency of the entity using the exchange rates prevailing at the dates of the transactions (spot exchange), or where a transaction has been hedged, the hedged rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'interest receivable and similar income' or 'interest payable and similar expenses' respectively. All other foreign exchange gains and losses are presented in the Income statement within 'administrative expenses'.

Finance costs

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

Borrowing costs

All borrowing costs are recognised in the profit or loss account in the year in which they are incurred.

ADVANCED INSULATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies (Continued)

Exceptional costs

The directors' have elected to record the adjustment arising on transition to IFRS 9 in the current year. Adjustment arising to recognise the provision of expected credit loss are presented as exceptional costs.

2 Adoption of new and revised standards and changes in accounting policies

In the current year, the following new and revised Standards and Interpretations have been adopted by the company and have an effect on the current period or a prior period or may have an effect on future periods:

Initial application of IFRS 9 Financial Instruments

The Company has applied IFRS 9 'Financial Instruments' ('IFRS 9') for the first time as in this set of accounts, year ended 30 September 2019. IFRS 9 replaces previous guidance on accounting for financial instruments in IAS 39 'Financial Instruments: Recognition and Measurement' ('IAS 39'). The significant changes are set out below.

As a result of the adoption of IFRS 9, the Company has adopted consequential changes to IAS 1 Presentation of financial statements. In addition, the Company has applied the consequential amendments to IFRS 7 Financial Instruments: Disclosure to all periods presented. Any adjustments arising on transition to IFRS 9 are recognised in opening equity.

The classification of financial assets under IFRS 9 is based on whether the contractual cash flows of the instrument are solely payments of principal and interest, and whether the business model is to collect those contractual cash flows and/or sell the financial assets. The classification and measurement of financial assets under IFRS 9 is set out below.

All the Company's financial assets were previously classified as assets under amortised cost under IAS 39 Financial Instruments and are also classified as assets at amortised cost under IFRS 9.

3 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

Recognition of service and construction contract revenues

Revenue recognised overtime is calculated using a percentage of cost completion method. This includes managements best estimate of cost to complete open contracts and projects at the year end. A percentage based cost of completion model is used by management as the best estimate of progress of the contract as it is delivered to the end customer.

ADVANCED INSULATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

3 Critical accounting estimates and judgements (Continued)

Capitalisation of internally developed assets

A judgement is applied by management in distinguishing the research and development phases of a new internally developed asset and determining whether the recognition requirements for the capitalisation of development costs are met. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired (see Intangible Assets accounting policy).

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

4 Turnover

An analysis of the company's turnover is as follows:

	2019 £	2018 £
Turnover analysed by class of business		
Contract revenue recognised as revenue	20,829,567	17,997,005
Sale of goods	5,184,997	3,645,988
	<u>26,014,564</u>	<u>21,642,993</u>
	2019 £	2018 £
Other revenue		
Interest income	48,624	26,299

ADVANCED INSULATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

4 Turnover (Continued)

	2019 £	2018 £
Turnover analysed by geographical market		
United Kingdom	10,791,265	4,799,858
Rest of Europe	2,205,979	1,988,434
Rest of world	13,017,320	14,854,701
	<u>26,014,564</u>	<u>21,642,993</u>

5 Employees

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

	2019 Number	2018 Number
Administration	41	34
Production	128	134
Management	3	3
	<u>172</u>	<u>171</u>

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	7,500,524	7,510,135
Social security costs	633,915	702,206
Pension costs	506,160	451,148
	<u>8,640,599</u>	<u>8,663,489</u>

6 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	86,857	(41,830)
Research costs	89,691	43,995
Depreciation of property, plant and equipment	1,007,454	991,002
Profit on disposal of tangible fixed assets	-	(2,208)
Amortisation of intangible assets	36,283	27,003
Cost of inventories recognised as an expense	6,708,241	7,081,671
	<u>8,828,425</u>	<u>8,080,638</u>

ADVANCED INSULATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

7 Auditor's remuneration

	2019 £	2018 £
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the company	15,000	14,900
For other services		
Tax services	35,000	55,620
Other services	675	750
Total non-audit fees	35,675	56,370

8 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Other interest income	48,624	26,299

9 Interest payable and similar expenses

	2019 £	2018 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	755	(8,189)
Interest on other loans	9,250	4,646
	10,005	(3,543)
Interest on other financial liabilities:		
Interest on lease liabilities	26,734	65,876
Total interest expense	36,739	62,333

10 Other gains and losses

	2019 £	2018 £
Change in the value of derivatives	(79,080)	(204,471)

ADVANCED INSULATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

11 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	(500,900)	-
Adjustments in respect of prior periods	(763,018)	(500,311)
Total UK current tax	(1,263,918)	(500,311)
Foreign taxes and reliefs	-	92,298
	(1,263,918)	(408,013)
Deferred tax		
Origination and reversal of temporary differences	311,641	(853,736)
Adjustment in respect of prior periods	1,706,510	51,355
	2,018,151	(802,381)
Total tax charge/(credit)	754,233	(1,210,394)

The total tax charge/(credit) for the year included in the profit and loss account can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2019 £	2018 £
Profit before taxation	1,316,885	563,703
Expected tax charge based on a corporation tax rate of 19.00% (2018: 19.00%)	250,208	107,104
Effect of expenses not deductible in determining taxable profit	139,660	3,184
Income not taxable	(157,602)	-
Adjustment in respect of prior years	(763,018)	(507,347)
Research and development tax credit	155,452	(815,100)
Effect of overseas tax rates	-	99,334
Deferred tax adjustments in respect of prior years	1,706,510	54,883
Fixed asset differences	(41,867)	-
Adjustment in respect of patent box deduction	-	(285,000)
Adjustment to deferred tax rate to reconciliation rate	5,820	132,548
Additional deduction for R&D	(540,930)	-
Taxation charge/(credit) for the year	754,233	(1,210,394)

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017 (on 6 September 2017). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

ADVANCED INSULATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

12	Dividends	2019 per share	2018 per share	2019 £	2018 £
	Amounts recognised as distributions to equity holders:				
	Ordinary shares				
	Final dividend paid	-	13.33	-	2,000,000

13	Intangible fixed assets	Goodwill £	Development costs £	Total £
	Cost			
	At 30 September 2018	984,217	5,086,172	6,070,389
	Additions - internally generated	-	1,398,877	1,398,877
	Disposals	-	(2,123,724)	(2,123,724)
	At 30 September 2019	984,217	4,361,325	5,345,542
	Amortisation and impairment			
	At 30 September 2018	-	27,508	27,508
	Charge for the year	-	36,283	36,283
	At 30 September 2019	-	63,791	63,791
	Carrying amount			
	At 30 September 2019	984,217	4,297,534	5,281,751
	At 30 September 2018	984,217	5,058,664	6,042,881

Intangible assets amortisation is recorded in administrative expenses in profit and loss account

ADVANCED INSULATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

14 Tangible fixed assets

	Fixtures and fittings £	Plant and equipment £	Total £
Cost			
At 30 September 2018	234,995	7,118,202	7,353,197
Additions	30,345	799,437	829,782
Disposals	-	(81,108)	(81,108)
At 30 September 2019	265,340	7,836,531	8,101,871
Accumulated depreciation and impairment			
At 30 September 2018	133,820	3,259,627	3,393,447
Charge for the year	65,481	941,973	1,007,454
At 30 September 2019	199,301	4,201,600	4,400,901
Carrying amount			
At 30 September 2019	66,039	3,634,931	3,700,970
At 30 September 2018	101,175	3,858,575	3,959,750

Tangible fixed assets includes assets held under finance leases or hire purchase contracts, as follows:

Leased assets	2019 £	2018 £
Net values	1,642,287	1,822,070
Depreciation charge for the year	286,531	274,264

15 Investments

The directors consider that the carrying amounts of financial assets carried at amortised cost in the financial statements approximate to their fair values.

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 October 2018 & 30 September 2019	127,637
Carrying amount	
At 30 September 2019	127,637
At 30 September 2018	127,637

ADVANCED INSULATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

16 Subsidiaries

Details of the company's subsidiaries at 30 September 2019 are as follows:

Name of undertaking	Registered office	Ownership interest (%)	Nature of business
Advanced Insulation Systems do Brazil Ltda	(a)	49	Manufacturing
C-Ling Limited	(b)	75	Development of sealing technology and solution for offshore wind turbines.

The registered address of the subsidiaries referenced above are:

- (a) - Rodovia SP 107, km 29 – Borda da Mata, Jaguariúna – SP, Caixa Postal 255, 13919-899, Brazil
(b) - Unit E Quedgeley West Business Park, Bristol Road, Gloucester, GL2 4PA

The interest in all subsidiaries arise from ownership of ordinary shares only.

17 Stocks	2019 £	2018 £
Raw materials	2,694,039	2,544,176
Work in progress	539,796	60,293
	<u>3,233,835</u>	<u>2,604,469</u>

18 Debtors	2019 £	2018 £
Trade debtors	4,331,077	5,508,326
Contract assets	6,982,293	5,153,244
Other debtors	13,917	11,354
VAT recoverable	216,497	31,083
Amounts owed by fellow group undertakings	13,629,677	11,423,282
Prepayments and accrued income	369,724	361,421
	<u>25,543,185</u>	<u>22,488,710</u>

ADVANCED INSULATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

19 Creditors

	2019 £	2018 £
Trade creditors	3,545,093	1,928,943
Contract liabilities	990,902	1,379,475
Amounts owed to fellow group undertakings	20,248,262	21,318,802
Accruals and deferred income	1,669,083	1,247,472
Other creditors	753,183	77,290
	<u>27,206,523</u>	<u>25,951,982</u>

A fixed and floating charge over the company's assets is held by Santander UK Pic, Growth Capital Partners and Management in respect of their loan notes with the Group. The charge holders rank in the following order of priority, with the first being the primary charge holder; Santander UK pic, Growth Capital Partners and Management.

20 Fair value of financial liabilities

Except as detailed below, the directors consider that the carrying amounts of financial liabilities carried at amortised cost in the financial statements approximate to their fair values.

	Carrying value	
	2019 £	2018 £
Financial instrument measured at fair value through profit or loss	(171,155)	(110,155)
Financial instrument measured at amortised cost	(26,215,612)	(24,572,507)
	<u>(26,386,767)</u>	<u>(24,682,662)</u>

Determining the fair value of financial liabilities

The company enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are foreign exchange forward contracts and foreign exchange swaps. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs, including the credit quality of counterparties, foreign exchange spot and forward rates and forward rate curves. The company has elected not to hedge account for these derivatives.

21 Obligations under finance leases

	Minimum lease payments		Present value	
	2019 £	2018 £	2019 £	2018 £
Within one year	392,940	469,246	392,939	469,246
Over one year but within five years	40,911	331,596	40,912	331,596
	<u>433,851</u>	<u>800,842</u>	<u>433,851</u>	<u>800,842</u>

ADVANCED INSULATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

21 Obligations under finance leases (Continued)

Finance lease obligations are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2019 £	2018 £
Current liabilities	392,939	469,246
Non-current liabilities	40,912	331,596
	<u>433,851</u>	<u>800,842</u>

Liabilities under finance lease and hire purchase agreements are secured on the assets to which they relate.

22 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Fixed asset temporary differences £	Tax losses £	Other timing differences £	Total £
Deferred tax asset/(liability) at 1 October 2018	13,760	(878,453)	9,193	(855,500)
Deferred tax movements in current year				
Credit to profit or loss	1,157,288	878,453	(17,590)	2,018,151
Transfer to Advanced Insulation Limited	(361,033)	-	-	(361,033)
Deferred tax liability at 30 September 2019	<u>810,015</u>	<u>-</u>	<u>(8,397)</u>	<u>801,618</u>

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2019 £	2018 £
Deferred tax liabilities	801,618	-
Deferred tax assets	-	(855,500)
	<u>801,618</u>	<u>(855,500)</u>

At the year end the company had an unrecognised deferred tax asset of £Nil (2018: £1,018,327) relating to trading losses of £Nil (2018: £Nil) and short term timing differences of £Nil (2018: £8,271), and fixed asset temporary differences of £Nil (2018: £1,010,056).

ADVANCED INSULATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

23 Provisions for liabilities

	2019 £	2018 £
Contract provision	-	1,336,087
Movements on provisions:		
		£
At 1 October 2018		1,336,087
Additional provisions in the year		(51,928)
Utilisation of provision		(1,284,159)
At 30 September 2019		-

The provision in prior year relates to two contract disputes between Advanced Insulation Systems Limited and one of its customers which has now been resolved in the year.

24 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to profit or loss in respect of defined contribution schemes was £506,160 (2018 - £451,148).

25 Share capital

	2019 £	2018 £
Ordinary share capital		
<i>Issued and fully paid</i>		
150,000 Ordinary shares of £1 each	150,000	150,000
	150,000	150,000

The company's ordinary shares each carry the right to one vote at general meetings of the company and rank equally on distribution of dividends.

26 Profit and loss reserves

Cumulative profit and loss net of distribution to owners.

27 Contingent liabilities

The company has given performance bonds at the year end of £2,604,183 (2018: £3,951,063).

ADVANCED INSULATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

28 Operating leases

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements are as follows:

	2019 £	2018 £
Minimum lease payments under operating leases	242,114	271,159

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £	2018 £
Within one year	157,289	252,935
Between one and five years	39,572	163,459
	196,861	416,394

29 Capital commitments

At 30 September 2019 the company had capital commitments contracted for but not provided in the financial statements of £168,108 (2018: £134,942).

ADVANCED INSULATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

30 Related party transactions

Other transactions with related parties

FRS 101 does not require disclosure of transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is a party to the transaction is wholly owned by a member of that group. The company has taken advantage of this exemption from disclosing these transactions. The transactions below are with non-wholly owned companies in the group.

As at the year end there were amounts outstanding from Covertherm Limited, to the company, of £134,789 (2018: £119,628). The movements in the Intercompany loan account balances between the years ended 30 September 2018 and 2019, of £15,161 (30 September 2017 to 30 September 2018: £16,588) relate to intercompany invoices and the transfer of funds between Covertherm Limited and the company.

As at the year end there were amounts outstanding from Advanced Insulation Korea Limited, to the company of £310,317 (2018: £321,298). The movements in the Intercompany loan account balances between the years ended 30 September 2018 and 2019, of £332,946 (30 September 2017 to 30 September 2018: £159,076) relate to intercompany invoices and the transfer of funds between AI Korea Ltd and the group.

As at the year end there were amounts outstanding from Advanced Insulation Services Angola Lda, to the company, of £3,027,406 (2018: £3,752,342). The movements in the Intercompany loan account balances between the years ended 30 September 2018 and 2019, of £724,936 (30 September 2017 to 30 September 2018: £257,223) relate to intercompany invoices and the transfer of funds between AI Services Angola Lda and the company.

As at the year end there were amounts outstanding from the company, to Contraflex Kazakhstan LLP, of £Nil (2018: £ Nil). The movements in the Intercompany loan account balances between the years ended 30 September 2018 and 2019, of £Nil (30 September 2017 to 30 September 2018: £78,435) relate to intercompany invoices and the transfer of funds between Contraflex Kazakhstan LLP and the company.

As at the year end there were amounts outstanding to the company, from C-Ling Limited, of £666,277 (2018: £463,419). The movements in the Intercompany loan account balances between the years ended 30 September 2018 and 2019, of £202,858 (30 September 2017 to 30 September 2018: £377,958) relate to intercompany invoices and the transfer of funds between C-Ling Limited and the company.

As at the year end there were amounts outstanding to the company, from Advanced Insulation Systems do Brazil Ltda, of £677,694 (2018: £502,020). The movements in the Intercompany loan account. balances between the years ended 30 September 2018 and 2019, of £175,674 (30 September 2017 to 30 September 2018: £157,396) relate to intercompany invoices and the transfer of funds between Advanced Insulation Systems do Brazil Ltd a and the company.

31 Controlling party

The immediate parent undertaking by virtue of its controlling holding in the share capital of the company is Advanced Insulation Holdings Limited.

The ultimate parent undertaking is considered by the directors to be Advanced Insulation Holdings Limited, which is incorporated in the United Kingdom. Its registered address is Unit E Quedgeley West Business Park, Bristol Road, Gloucester, GL2 4PA.

There is no ultimate controlling party.