

# Financial Statements

## Advanced Insulation Systems Limited

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For the Year Ended 30 September 2017

Registered number: 02405903



## **Advanced Insulation Systems Limited**

# Company Information

### **Directors**

A D Bennion  
S H Shepherd  
A King (appointed 18 April 2017)  
E Weeks (resigned 31 December 2016)  
A Sweeney (resigned 30 November 2016)

### **Company secretary**

A D Bennion

### **Registered number**

02405903

### **Registered office**

Quedgeley West Business Park  
Bristol Road  
Gloucester  
GL2 4PA

### **Independent auditor**

Grant Thornton UK LLP  
Chartered Accountants & Statutory Auditor  
2 Glass Wharf  
Bristol  
BS2 0EL

### **Bankers**

Santander UK PLC

### **Solicitors**

DAC Beachcroft LLP  
Portwall Place  
Portwall Lane  
Bristol  
BS1 6NA

## **Advanced Insulation Systems Limited**

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## **Strategic Report**

**For the Year Ended 30 September 2017**

The directors present their strategic report for the year ended 30 September 2017.

The directors are pleased to report another successful year for the company. The company's 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.

### **Business review**

The company performed well in the accounting period generating an operating profit of £4,251,283 compared to £11,435,483 in 2016 with revenue of £31,144,465 versus £37,690,609 in 2016. The Return on Sales generated was 13.7% (2016: 30.3%) which was in line with expectations.

On 31 March 2017 the trade and assets of a fellow subsidiary company, Manuplas Limited, were transferred across into Advance Insulation Systems Limited.

### **Principal risks and uncertainties**

Group sales are dependent on capital investment in the oil and gas industry. The effect of a low oil price is still evident in the marketplace with weak demand. The Group has accordingly forecast a decline in sales and profits in the coming year before returning to growth in 2019. The majority of future growth is driven by new products which are currently being introduced to the market.

Margins remain under pressure as our customers look to cut costs and competition intensifies due to the market contraction. It is expected that the Group will deliver a reduced margin in the coming period compared with the current year as it works to deliver customer expectations and defend its market share.

The Group will continue to invest up to 10% of its revenue to support its extensive Research and Development programmes. It is focused on developing new products and enhancing the performance of existing products. The policy is fundamental to ensuring the Group will be well placed to take advantage of future growth in the Oil & Gas industry and in keeping the Group at the forefront of its technologies.

### **Financial risk management objectives and policies**

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

#### **Foreign currency risk**

The company 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.

#### **Credit risk**

The company 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 company 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.

## **Strategic Report (continued)**

**For the Year Ended 30 September 2017**

### **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.

### **Market risk**

The company 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.

This report was approved by the board and signed on its behalf.

**A D Bennion**  
Director



Date: 24/04/18

## **Directors' Report**

**For the Year Ended 30 September 2017**

The directors present their report and the financial statements for the year ended 30 September 2017.

### **Directors**

The directors who served during the year were:

A D Bennion

S H Shepherd

A King (appointed 18 April 2017)

E Weeks (resigned 31 December 2016)

A Sweeney (resigned 30 November 2016)

### **Directors' responsibilities statement**

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 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 and 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 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 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.

## **Directors' Report (continued)**

**For the Year Ended 30 September 2017**

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

The directors confirm that:

- so far as the directors is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Post balance sheet events**

There have been no significant events affecting the Company since the year end.

### **Auditor**

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



**A D Bennion**  
Director

Date: 24/04/18

## Independent Auditor's Report to the Members of Advanced Insulation Systems Limited

We have audited the financial statements of Advanced Insulation Systems Limited (the 'company') for the year ended 30 September 2017 which comprise the Statement of comprehensive income, the Statement of financial position and 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 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 30 September 2017 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 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.

### **Who we are reporting to**

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.

### **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.



## Independent Auditor's Report to the Members of Advanced Insulation Systems Limited (continued)

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. 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 has been prepared in accordance with applicable legal requirements.

### **Matter on which we are required to report under the Companies Act 2006**

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.

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

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.

## Independent Auditor's Report to the Members of Advanced Insulation Systems Limited (continued)

### **Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 3, 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.

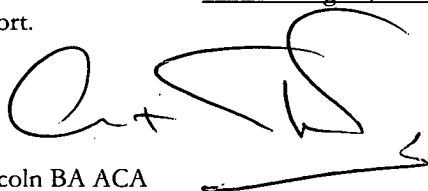
In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company 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: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



Timothy Lincoln BA ACA  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Bristol  
Date: 24 April 2018.

# Statement of Comprehensive Income

For the Year Ended 30 September 2017

	Note	2017 £	2016 £
Turnover	4	31,144,465	37,690,609
Cost of sales		(20,080,058)	(22,383,878)
<b>Gross profit</b>		<b>11,064,407</b>	<b>15,306,731</b>
Administrative expenses		(6,945,804)	(4,142,316)
Other operating income	5	132,680	271,068
<b>Operating profit</b>	6	<b>4,251,283</b>	<b>11,435,483</b>
Interest receivable and similar income	10	12,090	2,021
Interest payable and expenses	11	(148,668)	(79,310)
Gain/(loss) on derivative		487,641	(508,910)
<b>Profit before tax</b>		<b>4,602,346</b>	<b>10,849,284</b>
Tax on profit	12	94,881	(405,989)
<b>Profit for the financial year</b>		<b>4,697,227</b>	<b>10,443,295</b>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2017 (2016: £NIL).

The notes on pages 12 to 32 form part of these financial statements.

## Statement of Financial Position

As at 30 September 2017

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Goodwill	15	984,217	-
Other intangible assets	14	116,511	-
Tangible assets	16	4,528,642	3,502,051
Investments	17	128,264	77,954
		<u>5,757,634</u>	<u>3,580,005</u>
<b>Current assets</b>			
Stocks	18	5,644,677	3,618,436
Debtors: amounts falling due within one year	19	21,437,729	33,683,936
Cash at bank and in hand	20	2,808,094	3,625,279
		<u>29,890,500</u>	<u>40,927,651</u>
Creditors: amounts falling due within one year	21	(22,071,929)	(31,058,176)
<b>Net current assets</b>		<u>7,818,571</u>	<u>9,869,475</u>
<b>Total assets less current liabilities</b>		<u>13,576,205</u>	<u>13,449,480</u>
Creditors: amounts falling due after more than one year	22	(727,108)	(918,111)
		<u>12,849,097</u>	<u>12,531,369</u>
<b>Provisions for liabilities</b>			
Deferred taxation	25	-	(328,518)
Other provisions	26	(949,019)	-
		<u>(949,019)</u>	<u>(328,518)</u>
<b>Net assets</b>		<u><u>11,900,078</u></u>	<u><u>12,202,851</u></u>

## Statement of Financial Position (continued)

As at 30 September 2017

	Note	2017 £	2016 £
<b>Capital and reserves</b>			
Called up share capital	27	150,000	150,000
Profit and loss account	28	11,750,078	12,052,851
		<u>11,900,078</u>	<u>12,202,851</u>

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

  
**A D Bennion**  
Director

Date: 24/04/18

The notes on pages 12 to 32 form part of these financial statements.

## Statement of Changes in Equity

For the Year Ended 30 September 2017

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 October 2016	150,000	12,052,851	12,202,851
<b>Comprehensive income for the year</b>			
Profit for the year	-	4,697,227	4,697,227
<b>Total comprehensive income for the year</b>	-	4,697,227	4,697,227
Dividends: Equity capital	-	(5,000,000)	(5,000,000)
<b>At 30 September 2017</b>	<b>150,000</b>	<b>11,750,078</b>	<b>11,900,078</b>

## Statement of Changes in Equity

For the Year Ended 30 September 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 October 2015	150,000	11,609,556	11,759,556
<b>Comprehensive income for the year</b>			
Profit for the year	-	10,443,295	10,443,295
<b>Total comprehensive income for the year</b>	-	10,443,295	10,443,295
Dividends: Equity capital	-	(10,000,000)	(10,000,000)
<b>At 30 September 2016</b>	<b>150,000</b>	<b>12,052,851</b>	<b>12,202,851</b>

The notes on pages 12 to 32 form part of these financial statements.

# Notes to the Financial Statements

For the Year Ended 30 September 2017

## **1. General information**

The company is limited by shares and is incorporated in England and Wales. The registered office address is Quedgeley West Business Park, Bristol Road, Gloucester, GL2 4PA.

## **2. Accounting policies**

### **2.1 Basis of preparation of financial statements**

These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have all been applied consistently throughout the year unless otherwise stated.

The financial statements have been prepared on a historical cost basis except for the revaluation of financial instruments.

The financial statements are presented in Sterling (£).

The following principal accounting policies have been applied:

### **2.2 Financial reporting standard 101 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

### **2.3 Turnover**

Turnover from long term contracts is measured at the fair value of the consideration received or receivable, and is recognised by reference to stage of completion at the reporting date.

The contracts stage of completion is assessed by management by comparing costs incurred to date with the total costs estimated for the contract. Only those costs that reflect work performance are included in costs incurred to date.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised immediately in profit or loss.

The gross amount due from customers for contract work is presented within trade and other receivables for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. The gross amount due to customers for contract work is presented within other liabilities for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

## Notes to the Financial Statements

For the Year Ended 30 September 2017

### 2. Accounting policies (continued)

#### 2.4 Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

#### 2.5 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

#### 2.6 Tangible fixed assets

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

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

The estimated useful lives range as follows:

Plant and machinery	- 4-10 years
Fixtures and fittings	- 4 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

#### 2.7 Valuation of investments

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less any applicable provision for impairment.



## **Notes to the Financial Statements**

**For the Year Ended 30 September 2017**

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

#### **2.8 Stocks**

Inventory and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving inventory. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

#### **2.9 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.

#### **2.10 Cash at bank and in hand**

Cash comprise cash on hand and demand deposits which is presented as cash at bank and in hand in the statement of financial position.

Cash equivalents comprise short-term, highly liquid investments with maturities of three months or less from inception that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are presented as part of current asset investments in the statement of financial position.

#### **2.11 Financial instruments**

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

##### **Financial assets**

The Company recognises its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

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

##### **Fair value through profit or loss**

This category comprises only in-the-money derivatives. These are carried in the Statement of financial position at fair value with changes in fair value recognised in the Statement of comprehensive income.

##### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

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

## **Notes to the Financial Statements**

**For the Year Ended 30 September 2017**

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

#### **2.11 Financial instruments (continued)**

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 Statement of comprehensive income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

##### **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.

##### **Fair value through profit or loss**

The Company comprises only out-of-the-money derivatives. They are carried in the Statement of financial position at fair value with changes in fair value recognised in the Statement of comprehensive income.

##### **At amortised cost**

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of financial position.

#### **2.12 Trade creditors and other creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

# Notes to the Financial Statements

For the Year Ended 30 September 2017

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

### **2.13 Foreign currency translation**

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

Foreign currency transactions are translated into the functional currency of the respective entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate or where a transaction has been hedged, the hedged rate). Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Income statement within 'administrative expenses'.

### **2.14 Finance costs**

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

### **2.15 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

### **2.16 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

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

The Group has taken advantage of the optional exemption available on transition which allows lease incentives on leases entered into before the date of transition to the standard 01 October 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

# Notes to the Financial Statements

For the Year Ended 30 September 2017

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

### **2.17 Pensions and other post employment benefits**

#### **Short-term employee benefits**

Short term employee benefits including holiday entitlement, are current liabilities included in pension and other employee obligations, measured at undiscounted amount that the Company expects to pay as a result of unused entitlement.

#### **Post-employment benefit plans**

Contributions to defined contribution pension schemes are charged to profit or loss in the year to which they relate. Prepaid contributions are recognised as an asset. Unpaid contributions are reflected as a liability.

### **2.18 Interest income**

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

### **2.19 Borrowing costs**

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

### **2.20 Provisions for liabilities**

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when

the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required and amounts can be estimated reliably. 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 outflow 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.

# Notes to the Financial Statements

For the Year Ended 30 September 2017

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

### **2.21 Income taxes**

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method.

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

The following are significant management judgements in applying the accounting policies of the company that have the most significant effect on the financial statements.

### **Recognition of service and construction contract turnover**

Recognising turnover from long term contracts requires significant judgement in determining actual work performed and the estimated costs to complete the work (see turnover accounting policy).

### **Impairment of non-financial assets and goodwill**

In assessing impairment, management estimates the recoverable amount of each asset based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate

### **Useful lives of depreciable assets**

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain tangible assets.

### **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.

# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 4. Turnover

The whole of the turnover is attributable to principle activities.

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	2,320,811	2,032,087
Rest of Europe	3,667,521	1,678,130
Rest of the world	25,156,133	33,980,392
	<u>31,144,465</u>	<u>37,690,609</u>

## 5. Other operating income

	2017 £	2016 £
Other operating income	9,021	271,068
Dividends receivable from subsidiary undertakings	123,659	-
	<u>132,680</u>	<u>271,068</u>

## 6. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Research & development charged as an expense	148,223	62,300
Depreciation of tangible fixed assets:		
- owned by the company	437,391	209,066
- held under finance leases	237,860	196,417
Amortisation of intangible assets, including goodwill	505	-
Exchange differences	507,807	489,234
Profit/ loss on sale of fixed asset	-	5,832
Operating lease rentals:		
- plant and machinery	7,740	15,293
- land and building	155,000	70,000
	<u></u>	<u></u>

During the year no director received any emoluments (2016: £nil).

# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 7. Donations

	2017	2016
	£	£
Charitable donations	466	704

## 8. Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2017	2016
	£	£
Fees for the audit of the Company	16,800	15,300
Taxation compliance services and tax advice	5,600	9,900
	<u>22,400</u>	<u>25,200</u>

## 9. Employees

Staff costs were as follows:

	2017	2016
	£	£
Wages and salaries	8,060,059	7,528,088
Social security costs	736,660	755,636
Cost of defined contribution scheme	401,567	327,667
	<u>9,198,286</u>	<u>8,611,391</u>

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

	2017	2016
	No.	No.
Administration	30	19
Production	138	149
Management	3	3
	<u>171</u>	<u>171</u>

# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 10. Interest receivable

	2017 £	2016 £
Other interest receivable	12,090	2,021

## 11. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	14,104	36,188
Other loan interest payable	18,304	111
Finance leases and hire purchase contracts	116,260	43,011
	148,668	79,310

## 12. Taxation

	2017 £	2016 £
<b>Corporation tax</b>		
Current tax on profits for the year	(464,979)	279,124
Adjustments in respect of previous periods	572,790	47,144
Double taxation relief	178,945	(137,603)
	286,756	188,665
Foreign tax on income for the year	-	206,404
<b>Total current tax</b>	286,756	395,069
<b>Deferred tax</b>		
Origination and reversal of timing differences	(160,821)	19,897
Changes to tax rates	-	(34,290)
Adjustment in respect of prior year	(220,816)	25,313
<b>Taxation on (loss)/profit on ordinary activities</b>	(94,881)	405,989



# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 12. Taxation (continued)

### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016: lower than) the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	4,602,346	10,849,284
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016: 20%)	920,469	2,169,857
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	(163,994)	(44,164)
Adjustment to tax charge in respect of previous periods	352,923	72,457
Adjustment for tax rates differences in foreign jurisdictions	178,945	68,801
Adjustment in research and development tax credit leading to a decrease in the tax charge	(1,279,120)	(520,000)
Group income	(24,112)	-
Difference between standard and actual rate of tax	23,637	(36,501)
Other differences leading to a decrease in the tax charge	(103,629)	(100,000)
Group relief	-	(1,204,461)
<b>Total tax charge for the year</b>	<b>(94,881)</b>	<b>405,989</b>

## 13. Dividends

	2017 £	2016 £
Dividends paid on equity capital	5,000,000	10,000,000

## Notes to the Financial Statements

For the Year Ended 30 September 2017

### 14. Intangible assets

	Development costs £
<b>Cost</b>	
Additions	60,155
Transfer from fellow subsidiary	56,861
At 30 September 2017	<u>117,016</u>
<b>Amortisation</b>	
Charge for the year	<u>505</u>
At 30 September 2017	<u>505</u>
<b>Net book value</b>	
At 30 September 2017	<u><u>116,511</u></u>
At 30 September 2016	<u><u>-</u></u>

## Notes to the Financial Statements

For the Year Ended 30 September 2017

### 15. Goodwill

	2017 £
<b>Cost</b>	
Transfer from fellow subsidiary	984,217
<b>At 30 September 2017</b>	<u>984,217</u>
<b>Net book value</b>	
<b>At 30 September 2017</b>	<u><u>984,217</u></u>

The goodwill has arisen from the transfer of assets from Manuplas Limited.

#### Goodwill impairment testing

The recoverable amount is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a three year period, and a discount rate of 10%.

The cash flow projections have assumed growth in the first 3 years followed by 2% per annum growth which is believed to be lower than the projected long-term average growth rate for the sector. The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying value to exceed the aggregate recoverable amount.

# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 16. Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Total £
<b>Cost or valuation</b>			
At 1 October 2016	5,169,911	82,152	5,252,063
Additions	783,706	26,133	809,839
Transfers from fellow subsidiary	759,604	134,564	894,168
At 30 September 2017	<u>6,713,221</u>	<u>242,849</u>	<u>6,956,070</u>
<b>Depreciation</b>			
At 1 October 2016	1,726,157	23,855	1,750,012
Charge for the year	623,442	53,974	677,416
At 30 September 2017	<u>2,349,599</u>	<u>77,829</u>	<u>2,427,428</u>
<b>Net book value</b>			
At 30 September 2017	<u>4,363,622</u>	<u>165,020</u>	<u>4,528,642</u>
At 30 September 2016	<u>3,443,754</u>	<u>58,297</u>	<u>3,502,051</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2017 £	2016 £
Plant and machinery	<u>2,160,506</u>	<u>2,162,636</u>

# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 17. Fixed asset investments

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 October 2016	77,954
Additions	50,310
At 30 September 2017	<u>128,264</u>
<b>Net book value</b>	
At 30 September 2017	<u>128,264</u>
At 30 September 2016	<u>77,954</u>

### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Country of incorporation
Advanced Insulation Systems do Brazil Ltda	Ordinary	51 %	Brazil
C-Ling Limited	Ordinary	50 %	United Kingdom

The aggregate of the share capital and reserves as at 30 September 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
Advanced Insulation Systems do Brazil Ltda	(147,017)	(428,187)
C-Ling Limited	<u>(2,069)</u>	<u>(2,071)</u>

# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 18. Stocks

	2017 £	2016 £
Raw materials and consumables	2,224,055	1,549,891
Work in progress (deferred research and development)	3,081,291	2,068,545
Work in progress	339,331	-
	<u>5,644,677</u>	<u>3,618,436</u>

## 19. Debtors

	2017 £	2016 £
Trade debtors	7,936,011	7,586,538
Amounts owed by group undertakings	7,504,831	17,237,191
VAT repayable	-	54,392
Withholding tax recoverable	131,653	341,033
Other debtors	149,103	10,258
Prepayments and accrued income	279,342	68,023
Amounts recoverable on long term contracts	5,289,355	8,351,501
Retentions	-	35,000
Deferred taxation	53,119	-
Financial instruments	94,315	-
	<u>21,437,729</u>	<u>33,683,936</u>

## 20. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	2,808,094	3,625,279
Less: bank overdrafts and contract finance	(44,006)	(3,495,000)
	<u>2,764,088</u>	<u>130,279</u>

# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 21. Creditors: Amounts falling due within one year

	2017 £	2016 £
Bank overdrafts	44,006	3,495,000
Payments received on account	1,993,470	3,920,658
Trade creditors	3,559,941	2,931,286
Amounts owed to group undertakings	14,298,801	17,979,285
Other taxation and social security	241,030	675,757
Obligations under finance lease and hire purchase contracts	467,500	430,371
Other creditors	461,449	555,359
Accruals and deferred income	1,005,732	688,116
Financial instruments	-	382,344
	<u>22,071,929</u>	<u>31,058,176</u>

The bank overdraft facility held with Santander UK Plc is secured by a composite guarantee and right of setoff covering the Company and its parent.

## 22. Creditors: Amounts falling due after more than one year

	2017 £	2016 £
Net obligations under finance leases and hire purchase contracts	<u>727,108</u>	<u>918,111</u>

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

## 23. Hire purchase and finance leases

The present value of minimum lease payments is analysed as follows:

	2017 £	2016 £
Within one year	467,500	430,371
Between 1-2 years	727,109	398,427
Between 2-5 years	-	519,685
	<u>1,194,609</u>	<u>1,348,483</u>

# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 24. Financial instruments

	2017 £	2016 £
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss	94,315	-
Financial assets that are debt instruments measured at amortised cost	<u>17,336,575</u>	<u>28,459,266</u>
<b>Financial liabilities</b>		
Derivative financial instruments designated as hedges of variable interest rate risk	-	(382,344)
Financial liabilities measured at amortised cost	<u>18,631,216</u>	<u>(24,960,930)</u>
	<u>18,631,216</u>	<u>(25,343,274)</u>

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 counter parties, foreign exchange spot and forward rates and forward rate curves. The company has elected not to hedge account for these derivatives.

## 25. Deferred taxation

	2017 £	2016 £
At beginning of year	(328,518)	(317,598)
Charged to profit or loss	<u>381,637</u>	<u>(10,920)</u>
<b>At end of year</b>	<u>53,119</u>	<u>(328,518)</u>

The deferred taxation balance is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	65,101	(308,014)
Timing differences	<u>(11,982)</u>	<u>(20,504)</u>



# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 26. Provisions

	Contract provision £
Charged to profit or loss	949,019
<b>At 30 September 2017</b>	<b>949,019</b>

The provision relates to a few contracts between Advanced Insulation Systems Limited and one of its customers. Management are currently in discussion with the customer to resolve outstanding issues relating to the contract and do not expect the outcome to give rise to any significant losses beyond the amounts recognised at 30 September 2017.

## 27. Share capital

	2017 £	2016 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
150,000 Ordinary shares shares of £1 each	150,000	150,000

## 28. Reserves

### Profit and loss account

Includes all current and prior period retained profits and losses.

## 29. Capital commitments

At 30 September 2017 the Company had capital commitments as follows:

	2017 £	2016 £
Contracted for but not provided in these financial statements	116,068	155,541

## 30. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. Contributions totalling £30,770 (2016: £26,842) were due to the scheme at the year end.

# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 31. Commitments under operating leases

At 30 September 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
<b>Land and buildings</b>		
Within 1 year	70,000	70,000
Between 2 and 5 years	21,194	92,167
	<u>91,194</u>	<u>162,167</u>
	2017 £	2016 £
<b>Other</b>		
Within 1 year	36,537	10,953
Between 2 and 5 years	62,282	20,575
	<u>98,819</u>	<u>31,528</u>

## 32. Other financial commitments

The Company has given performance bonds at the year end of £6,070,756 (2016: £5,080,522).

## **Notes to the Financial Statements**

**For the Year Ended 30 September 2017**

### **33. Related party transactions**

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 as with non wholly owned companies in the group.

As at the year end there were amounts outstanding from Covertherm Limited, to the company, of £136,216 (2016: £312,804). The movements in the Intercompany loan account balance between the years ended 30 September 2016 and 2017, of £176,588 (30 September 2015 to 30 September 2016: £312,804), 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 the company, to AI Korea Ltd, of £11,648 (2016: (£147,428)). The movements in the Intercompany loan account balances between the years ended 30 September 2016 and 2017, of £159,076 (30 September 2015 to 30 September 2016: £147,428), 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 to the company, from AI Services Angola Lda, of £4,009,565 (2016: £4,086,090). The movements in the Intercompany loan account balances between the years ended 30 September 2016 and 2017, of £76,525 (30 September 2015 to 30 September 2016: £576,913), 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 £78,435 (2016: £90,501). The movements in the Intercompany loan account balances between the years ended 30 September 2016 and 2017, of £12,066 (30 September 2015 to 30 September 2016: £Nil), relate to intercompany invoices and the transfer of funds between Contraflex Kazakhstan LLP and the company.

As at the year there were amounts outstanding to the company, from C-Ling Limited, of £85,461, (2016: £nil). The movements in the Intercompany loan account balances between the years ended 30 September 2016 and 2017, of £85,461 (30 September 2015 to 30 September 2016: £nil), relate to intercompany invoices and the transfer of funds between C-Ling Limited and the company.

### **34. Controlling party**

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

The ultimate parent undertaking is considered by the directors to be Advanced Insulation Holdings Limited, which is incorporated in the United Kingdom.

There is no ultimate controlling related party.