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Registration number: 02405903

Advanced Insulation Systems Limited

Annual Report and Financial Statements

for the Year Ended 30 September 2018



Advanced Insulation Systems Limited

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Advanced Insulation Systems Limited

Company Information

Directors	A D Bennion S H Shepherd A M King
Company secretary	A D Bennion
Registered number	02405903
Registered office	Unit E Quedgeley West Business Park Bristol Road Gloucester GL2 4PA
Auditors	Grant Thornton UK LLP 2 Glass Wharf Bristol BS2 0EL
Solicitors	DAC Beachcroft LLP Portwall Place Portwall Lane Bristol BS1 6NA

Advanced Insulation Systems Limited

Strategic Report for the Year Ended 30 September 2018

The directors present their strategic report for the year ended 30 September 2018.

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 generated an operating profit of £804,208 compared to £4,251,283 in 2017 with revenue of £21,642,993 versus £31,144,465 in 2017. The Return on Sales generated was 3.7% (2017: 13.7%) 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 Advanced 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 but increasing market activity has enabled the Group to forecast modest growth in sales and profits for the coming year. 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.

Advanced Insulation Systems Limited

Strategic Report for the Year Ended 30 September 2018

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 principle 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.

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 continues with extensive Research and Development programmes to ensure the Group remains at the forefront of its technologies.

Approved by the Board on 28-03-2019 and signed on its behalf by:



A D Bennion
Director

Advanced Insulation Systems Limited

Directors' Report for the Year Ended 30 September 2018

The directors present their report and the financial statements for the year ended 30 September 2018.

Directors of the company

The directors who held office during the year were as follows:

A D Bennion

S H Shepherd

A M King

Directors' responsibilities statement

The directors acknowledge their responsibilities 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'. 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 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; and
- 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.

Advanced Insulation Systems Limited

Directors' Report for the Year Ended 30 September 2018

Disclosure of information to the auditors

The directors confirm that:

- so far as the directors are 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.

Approved by the Board on 28-03-2019 and signed on its behalf by:



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A D Bennion
Director

Advanced Insulation Systems Limited

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 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, 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 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 2018 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.

Advanced Insulation Systems Limited

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

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.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have 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 our 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 and the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Advanced Insulation Systems Limited

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

Responsibilities of directors

As explained more fully in the directors' responsibilities 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.

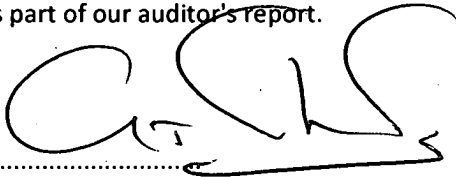
In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company 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: 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

2 Glass Wharf
Bristol
BS2 0EL

Date:.....25.4.19.....

Advanced Insulation Systems Limited

Statement of Comprehensive Income for the Year Ended 30 September 2018

	Note	2018 £	2017 £
Turnover	4	21,642,993	31,144,465
Cost of sales		<u>(14,563,226)</u>	<u>(20,080,058)</u>
Gross profit		7,079,767	11,064,407
Administrative expenses		(6,442,585)	(6,945,804)
Other operating income	5	<u>167,026</u>	<u>132,680</u>
Operating profit	6	804,208	4,251,283
Interest receivable and similar income	10	26,299	12,090
Interest payable and similar expenses	11	(62,333)	(148,668)
(Loss)/gain on derivative		<u>(204,471)</u>	<u>487,641</u>
Profit before tax		563,703	4,602,346
Taxation	12	<u>1,210,394</u>	<u>94,881</u>
Profit for the financial year		<u><u>1,774,097</u></u>	<u><u>4,697,227</u></u>

The above results were derived from continuing operations.

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2018 (2017: £Nil).

The notes on pages 12 to 34 form an integral part of these financial statements.

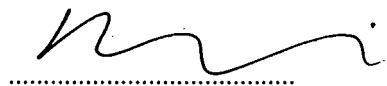
Advanced Insulation Systems Limited

(Registration number: 02405903)

Statement of Financial Position as at 30 September 2018

	Note	2018 £	(restated) 2017 £
Fixed assets			
Goodwill		984,217	984,217
Other intangible assets	14	5,058,664	3,197,802
Tangible assets	16	3,959,750	4,528,642
Investments	17	127,637	128,264
		<u>10,130,268</u>	<u>8,838,925</u>
Current assets			
Stocks	18	2,604,469	2,563,386
Debtors: amounts falling due within one year	19	23,983,211	21,437,729
Cash at bank and in hand		<u>3,351,318</u>	<u>2,808,094</u>
		29,938,998	26,809,209
Creditors: Amounts falling due within one year	21	<u>(26,727,408)</u>	<u>(22,071,929)</u>
Net current assets		<u>3,211,590</u>	<u>4,737,280</u>
Total assets less current liabilities		13,341,858	13,576,205
Creditors: Amounts falling due after more than one year	21	(331,596)	(727,108)
Provisions for liabilities	25	<u>(1,336,087)</u>	<u>(949,019)</u>
Net assets		<u>11,674,175</u>	<u>11,900,078</u>
Capital and reserves			
Called up share capital	27	150,000	150,000
Profit and loss account	28	<u>11,524,175</u>	<u>11,750,078</u>
Total equity		<u>11,674,175</u>	<u>11,900,078</u>

The financial statements were approved and authorised for issue by the Board on ~~23-04-2019~~ and signed on its behalf by:



A D Bennion
Director

The notes on pages 12 to 34 form an integral part of these financial statements.

Advanced Insulation Systems Limited

Statement of Changes in Equity for the Year Ended 30 September 2018

	Share capital £	Profit and loss account £	Total £
At 1 October 2017	150,000	11,750,078	11,900,078
Comprehensive income for the year			
Profit for the year	-	1,774,097	1,774,097
Total comprehensive income	-	1,774,097	1,774,097
Dividends: Equity capital	-	(2,000,000)	(2,000,000)
At 30 September 2018	150,000	11,524,175	11,674,175
	Share capital £	Profit and loss account £	Total £
At 1 October 2016	150,000	12,052,851	12,202,851
Comprehensive income for the year			
Profit for the year	-	4,697,227	4,697,227
Total comprehensive income	-	4,697,227	4,697,227
Dividends : Equity capital	-	(5,000,000)	(5,000,000)
At 30 September 2017	150,000	11,750,078	11,900,078

The notes on pages 12 to 34 form an integral part of these financial statements.

Advanced Insulation Systems Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

1 General information

The company is a private company limited by share capital incorporated in England and Wales.

The address of its registered office is:

Unit E Quedgeley West Business Park

Bristol Road

Gloucester

GL2 4PA

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

2 Accounting policies

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 (£) which is also the functional currency of the company.

The following principal accounting policies have been applied:

Group accounts not prepared

The financial statements contain information about Advanced Insulation Systems Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Advanced Insulation Holdings Limited, a company registered in the United Kingdom.

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

Advanced Insulation Systems Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

- 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

Turnover

Turnover comprises amounts arising from the provision of services and sale of goods falling within an entity's ordinary activities after deducting trade discounts, VAT and other tax based on those amounts. It is measured at the fair value of consideration received or receivable, excluding sales taxes, and reduced by any rebates and trade discounts allowed.

The company applies the revenue recognition criteria set out below to each separately identifiable component of a sales transaction.

Sale of goods:

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.

Turnover from long term contracts:

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 performed are included in costs incurred to date.

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

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

Intangible assets

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
- the project is technically and commercially feasible
- the company intends to and has sufficient resources to complete the project

Advanced Insulation Systems Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

- 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 capitalise 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.

The comparative balance sheet for 2017 has been restated from that previously reported. The directors have reviewed the presentation of the deferred research and development expenditure and have reclassified the balance of £3,081,291 as at 30 September 2017 from stocks to intangible fixed assets as this better reflects the underlying nature of the asset.

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.

Advanced Insulation Systems Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

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 disposal are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

Valuation of investments

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

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.

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.

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.

Advanced Insulation Systems Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

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 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.

Advanced Insulation Systems Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

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 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 category 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.

Trade 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.

Advanced Insulation Systems Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

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 'financial income or costs'. All other foreign exchange gains and losses are presented in the Income statement within 'administrative expenses'.

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.

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.

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 to FRS101 which allows lease incentives on leases entered into before the date of the transition to the standard (1 October 2014) to continue to be charged over the period to the first market rent review rather than over the term of the lease.

Advanced Insulation Systems Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

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 the undiscounted amount that the company expects to pay as a result of unsettled 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.

Interest income

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

Borrowing costs

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

Provisions

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 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 for the Year Ended 30 September 2018

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 judgements in determining actual work performed and the estimated costs to complete the work (see turnover accounting policy).

Capitalisation of internally developed assets

Distinguishing the research and development phase of a new internally developed asset and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. As does reviewing to see that requirements continue to be met and whether there are any indicators that capitalised costs may be impaired (see intangible asset 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 estimates 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.

Advanced Insulation Systems Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

4 Turnover

The whole turnover is attributable to principal activities.

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	4,799,858	2,320,811
Rest of Europe	1,988,434	3,667,521
Rest of the world	14,854,701	25,156,133
	<u>21,642,993</u>	<u>31,144,465</u>

5 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2018 £	2017 £
Other operating income	167,026	9,021
Dividends receivable from subsidiary undertakings	-	123,659
	<u>167,026</u>	<u>132,680</u>

6 Operating profit

The operating profit is stated after charging

	2018 £	2017 £
Research and development cost	43,995	148,223
Depreciation expense - owned by the company	716,738	437,391
Depreciation expense - held under finance leases	274,264	237,860
Amortisation expense	27,003	505
Foreign exchange losses	162,641	507,807
Operating lease expense - plant and machinery	8,735	7,740
Operating lease expense - land and building	240,000	155,000
Profit on disposal of property, plant and equipment	<u>(2,208)</u>	<u>-</u>

During the year no director received any emoluments (2017: £Nil).

Advanced Insulation Systems Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

7 Donations

	2018 £	2017 £
Charitable donations	<u>53</u>	<u>466</u>

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:

	2018 £	2017 £
Audit of the financial statements	14,900	16,800
Taxation compliance services and tax advice	55,620	5,600
Other non-audit services	<u>750</u>	<u>-</u>
	<u>71,270</u>	<u>22,400</u>

9 Employees

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	7,510,135	8,060,059
Social security costs	702,206	736,660
Pension costs, defined contribution scheme	<u>451,148</u>	<u>401,567</u>
	<u>8,663,489</u>	<u>9,198,286</u>

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

	2018 No.	2017 No.
Administration	34	30
Production	134	138
Management	<u>3</u>	<u>3</u>
	<u>171</u>	<u>171</u>

Advanced Insulation Systems Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

10 Interest receivable

	2018 £	2017 £
Other interest receivable	26,299	12,090
Net gain on derivative	(204,471)	-
	<u>(178,172)</u>	<u>12,090</u>

11 Interest payable and similar charges

	2018 £	2017 £
Bank interest payable	(8,189)	14,104
Other loan interest payable	4,646	18,304
Finance leases and hire purchase contracts	65,876	116,260
	<u>62,333</u>	<u>148,668</u>

12 Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	-	(464,979)
Adjustment in respect of previous periods	(500,311)	572,790
Foreign Taxation	92,298	178,945
Total current tax	<u>(408,013)</u>	<u>286,756</u>
Deferred tax		
Origination and reversal of timing differences	(853,736)	(160,821)
Adjustment in respect of prior year	51,355	(220,816)
Total deferred taxation	<u>(802,381)</u>	<u>(381,637)</u>
Tax on (loss)/profit on ordinary activities	<u>(1,210,394)</u>	<u>(94,881)</u>

Advanced Insulation Systems Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

Factors affecting tax charge for the year

The tax assessed for the year differ from the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>563,703</u>	<u>4,602,346</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 20%)	107,104	920,469
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	3,184	(163,994)
Adjustment to tax charge in respect of previous periods	(507,347)	352,923
Adjustment for tax rates differences in foreign jurisdictions	99,334	178,945
Adjustment in research and development tax credit leading to a decrease in the tax charge	(815,100)	(1,279,120)
Adjustment in respect of patent box deduction	(285,000)	-
Group income	-	(24,112)
Differences in tax rates	132,548	23,637
Adjustment to opening deferred tax balance	54,883	-
Other differences leading to a decrease in the tax charge	<u>-</u>	<u>(103,629)</u>
Total tax charge for the year	<u>(1,210,394)</u>	<u>(94,881)</u>

13 Dividends

	2018 £	2017 £
Dividends paid on equity capital	<u>2,000,000</u>	<u>5,000,000</u>

Advanced Insulation Systems Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

14 Intangible assets

	Development costs £
Cost	
At 1 October 2017 (restated)	3,198,307
Additions	<u>1,887,865</u>
At 30 September 2018	<u>5,086,172</u>
Amortisation	
At 1 October 2017	505
Amortisation charge	<u>27,003</u>
At 30 September 2018	<u>27,508</u>
Net book value	
At 30 September 2018	<u><u>5,058,664</u></u>
At 30 September 2017 (restated)	<u><u>3,197,802</u></u>

15 Goodwill

	Goodwill £
Cost	
At 1 October 2017	<u>984,217</u>
At 30 September 2018	<u>984,217</u>
Net book value	
At 30 September 2018	<u><u>984,217</u></u>
At 30 September 2017	<u><u>984,217</u></u>

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

Advanced Insulation Systems Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

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 a 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.

16 Tangible fixed assets

	Fixtures and fittings £	Plant and machinery £	Total £
Cost			
At 1 October 2017	242,849	6,713,221	6,956,070
Additions	49,642	407,446	457,088
Disposals	(57,496)	(2,465)	(59,961)
At 30 September 2018	<u>234,995</u>	<u>7,118,202</u>	<u>7,353,197</u>
Depreciation			
At 1 October 2017	77,829	2,349,599	2,427,428
Charge for the year	79,947	911,055	991,002
Eliminated on disposal	(23,956)	(1,027)	(24,983)
At 30 September 2018	<u>133,820</u>	<u>3,259,627</u>	<u>3,393,447</u>
Net book value			
At 30 September 2018	<u>101,175</u>	<u>3,858,575</u>	<u>3,959,750</u>
At 30 September 2017	<u>165,020</u>	<u>4,363,622</u>	<u>4,528,642</u>

Advanced Insulation Systems Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

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

	2018 £	2017 £
Plant and machinery	<u>1,822,070</u>	<u>2,160,506</u>

17 Fixed asset investments

	Investment in subsidiary companies £
Cost	
At 1 October 2017	128,264
Additions	1
Disposals	<u>(628)</u>
At 30 September 2018	<u>127,637</u>
Net book value	
At 30 September 2018	<u>127,637</u>
At 30 September 2017	<u>128,264</u>

Details of undertakings

The following were subsidiary undertakings of the company:

Undertaking	Country of incorporation	Class of share	Holding 2018	2017
Subsidiary undertakings				
Advanced Insulation Systems do Brazil Ltda	Brazil	Ordinary	48.75%	51%
C-Ling Limited	United Kingdom	Ordinary	75%	50%

Advanced Insulation Systems Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

The profit/(loss) for the financial period of Advanced Insulation Systems do brazil Ltda was (£239,579) (2017 - £428,187) and the aggregate amount of capital and reserves at the end of the period was (£327,184) (2017 - £147,017).

The profit/(loss) for the financial period of C-ling Limited was (£26,198) (2017 - £2,071) and the aggregate amount of capital and reserves at the end of the period was (£28,268) (2017 - £2,069).

18 Stocks

	2018	(restated) 2017
	£	£
Raw materials and consumables	2,544,176	2,224,055
Work in progress	<u>60,293</u>	<u>339,331</u>
	<u>2,604,469</u>	<u>2,563,386</u>

19 Debtors

	2018	2017
	£	£
Trade debtors	5,508,326	7,936,011
Amounts owed by group undertakings	11,423,282	7,504,831
Other debtors	11,354	149,103
Corporation tax	131,654	131,653
Prepayments and accrued income	361,421	279,342
VAT	31,083	-
Derivative financial instruments	-	94,315
Amounts recoverable on long term contracts	5,153,244	5,289,355
Deferred taxation	855,500	53,119
Income tax asset	<u>507,347</u>	<u>-</u>
	<u>23,983,211</u>	<u>21,437,729</u>

20 Cash and cash equivalents

	2018	2017
	£	£
Cash at bank and in hand	3,351,318	2,808,094
Less: bank overdrafts and contract finance	<u>-</u>	<u>(44,006)</u>
	<u>3,351,318</u>	<u>2,764,088</u>

Advanced Insulation Systems Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

21 Creditors

	2018 £	2017 £
Due within one year		
Bank overdraft	-	44,006
Obligations under finance lease and hire purchase contracts	469,246	467,500
Trade creditors	1,928,943	3,559,941
Amounts owed to group undertakings	21,318,802	14,298,801
Other taxation and social security	196,025	241,030
Other creditors	77,290	461,449
Derivative financial instruments	110,155	-
Accruals and deferred income	1,247,472	1,005,732
Payments received on account	1,379,475	1,993,470
	<u>26,727,408</u>	<u>22,071,929</u>

A fixed and floating charge over the company's assets is held by Santander UK Plc, 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 plc, Growth Capital Partners and Management.

22 Creditors: Amounts falling due after more than one year

	2018 £	2017 £
Net obligations under finance leases and hire purchase contracts	<u>331,596</u>	<u>727,108</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:

	2018 £	2017 £
Within one year	469,246	467,500
Between 1-2 years	<u>331,596</u>	<u>727,109</u>
	<u>800,842</u>	<u>1,194,609</u>

Advanced Insulation Systems Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

24 Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets measured at fair value through profit or loss	-	94,315
Financial assets that are debt instruments measured at amortised cost	<u>20,325,363</u>	<u>17,336,575</u>
	<u>20,325,363</u>	<u>17,430,890</u>
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	(110,155)	-
Financial liabilities measured at amortised cost	<u>(24,572,507)</u>	<u>(18,631,216)</u>
	<u>(24,682,662)</u>	<u>(18,631,216)</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 counterparties, foreign exchange spot and forward rates and forward rate curves. The company has elected not to hedge account for these derivatives.

25 Deferred tax

	Deferred tax £
At 1 October 2017	53,119
Charged to profit or loss	<u>802,381</u>
At 30 September 2018	<u>855,500</u>

The deferred taxation balance is made up as follows:

	2018 £
Tax losses	878,453
Accelerated capital allowances	(13,761)
Other timing differences	<u>(9,193)</u>
	<u>855,500</u>

Advanced Insulation Systems Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

26 Provisions

	Contract provision £
At 1 October 2017	949,019
Charged to profit and loss	<u>387,068</u>
At 30 September 2018	<u><u>1,336,087</u></u>

The provision relates to two 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 2018.

27 Share capital

Shares classified as equity

Allotted, called up and fully paid shares

	2018		2017	
	No.	£	No.	£
Ordinary of £1 each	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>

28 Reserves

Profit and loss account

Includes all current and prior period retained profits and losses.

29 Capital commitments

At 30 September 2018 the company had capital commitments contracted for but not provided in the financial statements of £134,942 (2017 - £116,068).

30 Pension commitments

The company operates a defined contribution pension scheme. The sum of £451,148 (2017: £401,567) was contributed to the scheme during the year. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions totalling £34,523 (2017: £30,770) were due to the scheme at the year end.

Advanced Insulation Systems Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

31 Commitments under operating leases

At 30 September 2018, the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Land and buildings		
Within 1 year	190,222	70,000
Between 2 and 5 years	<u>102,944</u>	<u>21,194</u>
	<u>293,166</u>	<u>91,194</u>
	2018 £	2017 £
Other		
Within 1 year	62,713	36,537
Between 2 and 5 years	<u>60,515</u>	<u>62,282</u>
	<u>123,228</u>	<u>98,819</u>

32 Other financial commitments

The company has given performance bonds at the year end of £3,951,063 (2017: £6,070,756).

Advanced Insulation Systems Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

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 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 £119,628 (2017: £136,216). The movements in the Intercompany loan account balances between the years ended 30 September 2017 and 2018, of £16,588 (30 September 2016 to 30 September 2017: £176,588) 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 AI Korea Ltd, to the company of £321,298 (2017: (£11,648)). The movements in the Intercompany loan account balances between the years ended 30 September 2017 and 2018, of £332,946 (30 September 2016 to 30 September 2017: £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 AI Services Angola Lda, to the company, of £3,752,342 (2017: £4,009,565). The movements in the Intercompany loan account balances between the years ended 30 September 2017 and 2018, of £257,223 (30 September 2016 to 30 September 2017: £76,525) 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 (2017: £78,435). The movements in the Intercompany loan account balances between the years ended 30 September 2017 and 2018, of £78,435 (30 September 2016 to 30 September 2017: £12,066) 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 £463,419 (2017: £85,461). The movements in the Intercompany loan account balances between the years ended 30 September 2017 and 2018, of £377,958 (30 September 2016 to 30 September 2017: £85,461) 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 £502,020 (2017: £344,624). The movements in the Intercompany loan account balances between the years ended 30 September 2017 and 2018, of £157,396 (30 September 2016 to 30 September 2017: £150,246) relate to intercompany invoices and the transfer of funds between Advanced Insulation Systems do Brazil Ltda and the company.

Advanced Insulation Systems Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

34 Parent and ultimate parent undertaking

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 party.