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Financial Statements

Advanced Insulation Limited

For the year ended 30 September 2017

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Registered number: 06416439



Advanced Insulation Limited

Company Information

Directors	S H Shepherd A D Bennion D A Williams A M King (appointed 18 April 2017) A Sweeney (resigned 30 November 2016) E Weeks (resigned 31 December 2016)
Company secretary	A D Bennion
Registered number	06416439
Registered office	Quedgeley West Business Park Bristol Road Gloucester GL2 4PA
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Senior Statutory Auditor 2 Glass Wharf Bristol BS2 0EL
Bankers	Santander UK Plc
Solicitors	DAC Beachcroft LLP Portwall Place Portwall Lane Bristol BS1 6NA

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Strategic Report

For the year ended 30 September 2017

Introduction

The directors present their Strategic Report for the year ended 30 September 2017.

The directors are pleased to report a successful year for the group. The principal activity of the company continues to be acting as an intermediate holding company. The principal activity of the subsidiaries of the company is the manufacture, supply and application of fire retardant coatings, sub-sea insulation materials and buoyancy products to the oil, gas and petrochemical industries.

Results and dividends

The profit for the year, after taxation, amounted to £5,259,106 (2016: £8,874,511).

During the year, dividends of £5,300,000 (2016: £9,000,000) were declared.

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 company include the following:

Credit risk

The company is subject to the risk of financial loss if a fellow subsidiary fails to meet its contractual obligations. Management have prepared detailed three year forecasts which show each subsidiary should continue to trade as a going concern in the foreseeable future.

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.

Advanced Insulation Limited

Strategic Report (continued)

For the year ended 30 September 2017

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



A D Bennion
Director

Date: 24/04/18

Advanced Insulation Limited

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:

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

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.

Advanced Insulation Limited

Directors' Report (continued)

For the year ended 30 September 2017

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 Limited

Opinion

We have audited the financial statements of Advanced Insulation Limited (the 'company') for the year ended 30 September 2017 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 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 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 Limited (continued)

Responsibilities of directors for the financial statements

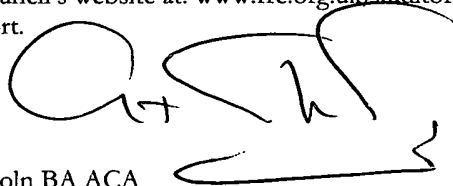
As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable 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. 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		1,824,775	267,457
Gross profit		1,824,775	267,457
Administrative expenses		(3,499,843)	(3,538,535)
Other operating income		2,242	2,776
Operating loss	4	(1,672,826)	(3,268,302)
Income from shares in group undertakings		7,124,837	12,000,000
Interest receivable and similar income	7	789	100
Interest payable and expenses	8	(135,718)	(159,893)
Profit before tax		5,317,082	8,571,905
Tax on profit	9	(57,976)	302,606
Profit for the financial year		5,259,106	8,874,511

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 30 form part of these financial statements.

Statement of Financial Position

As at 30 September 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	11	3,475,309	2,678,918
Tangible assets	12	5,360,623	5,661,674
Investments	13	2,754,474	2,706,137
		<u>11,590,406</u>	<u>11,046,729</u>
Current assets			
Stocks	14	12,981	3,537
Debtors: amounts falling due within one year	15	15,486,720	17,095,168
Cash at bank and in hand	16	705,773	236,315
		<u>16,205,474</u>	<u>17,335,020</u>
Creditors: amounts falling due within one year	17	(23,982,163)	(23,698,292)
Net current liabilities		<u>(7,776,689)</u>	<u>(6,363,272)</u>
Total assets less current liabilities		<u>3,813,717</u>	<u>4,683,457</u>
Creditors: amounts falling due after more than one year	18	(2,574,776)	(3,383,193)
		<u>1,238,941</u>	<u>1,300,264</u>
Provisions for liabilities			
Deferred taxation	22	(18,413)	(38,842)
		<u>(18,413)</u>	<u>(38,842)</u>
Net assets		<u><u>1,220,528</u></u>	<u><u>1,261,422</u></u>

Statement of Financial Position (continued)

As at 30 September 2017

	Note	2017 £	2016 £
Capital and reserves			
Called up share capital	23	131,096	131,096
Share premium account	24	795,974	795,974
Profit and loss account	24	293,458	334,352
		<u>1,220,528</u>	<u>1,261,422</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 30 form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 September 2017

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 October 2016	131,096	795,974	334,352	1,261,422
Comprehensive income for the year				
Profit for the year	-	-	5,259,106	5,259,106
Total comprehensive income for the year	-	-	5,259,106	5,259,106
Dividends: Equity capital	-	-	(5,300,000)	(5,300,000)
Total transactions with owners	-	-	(5,300,000)	(5,300,000)
At 30 September 2017	131,096	795,974	293,458	1,220,528

Statement of Changes in Equity

For the year ended 30 September 2016

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 October 2015	131,096	795,974	459,841	1,386,911
Comprehensive income for the year				
Profit for the year	-	-	8,874,511	8,874,511
Total comprehensive income for the year	-	-	8,874,511	8,874,511
Dividends: Equity capital	-	-	(9,000,000)	(9,000,000)
Total transactions with owners	-	-	(9,000,000)	(9,000,000)
At 30 September 2016	131,096	795,974	334,352	1,261,422

The notes on pages 12 to 30 form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 September 2017

1. General information

Advanced Insulation Limited is a private company limited by shares and incorporated in England and Wales. Its registered head office is located at Quedgeley West Business Park, Bristol Road, Gloucester, GL2 4PA.

2. Accounting policies

2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006. 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.

The Company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

The financial statements are presented in Sterling (£).

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 Going concern

The company has net current liabilities of £7,776,689 (2016; £6,363,272).

The company is an intermediate holding company and its balance sheet includes significant intercompany indebtedness.

On the basis of their assessment of the Company's and the wider Group's financial position and consideration of the forecasts for the Group, the directors have reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Accordingly the members have prepared the financial statements on a going concern basis.

2.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Notes to the Financial Statements

For the year ended 30 September 2017

2. Accounting policies (continued)

2.5 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
- the Company has the ability to use or sell the developed goods
- the software will generate probable future economic benefits.

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

Subsequent measurement

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

The following useful lives are applied:

- Development Costs: 15 years straight line.

When an intangible asset is disposed of, the gain or loss on disposal is 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.

Notes to the Financial Statements

For the year ended 30 September 2017

2. Accounting policies (continued)

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:

Freehold property	- 50 years
Long-term leasehold property	- 50 years
Plant and machinery	- 10 years
Fixtures and fittings	- 10 years
Other fixed assets	- 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 Investments

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

2.8 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.

2.9 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)

2.10 Cash and cash equivalents

Cash comprises 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 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.

2.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Notes to the Financial Statements

For the year ended 30 September 2017

2. Accounting policies (continued)

2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.14 Finance Leases

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Management applies judgement in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Company obtains ownership of the asset at the end of the lease term.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Group's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

All other leases are treated as operating leases.

Notes to the Financial Statements

For the year ended 30 September 2017

2. Accounting policies (continued)

2.15 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 classifies all of its financial assets as loans and receivables.

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 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.

Notes to the Financial Statements

For the year ended 30 September 2017

2. Accounting policies (continued)

2.16 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.

2.17 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.

2.18 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 are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

Notes to the Financial Statements

For the year ended 30 September 2017

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.

Capitalisation of internally developed assets

Distinguishing the research and development phases of a new internally developed asset and determining whether the recognition requirements for the capitalisation of development costs are met 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).

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.

4. Operating loss

The operating loss is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	365,618	321,880
Amortisation of intangible assets, including goodwill	240,004	202,239
Defined contribution pension cost	1,120	607
Operating Lease rentals: Other operating leases	241,560	219,741
Exchange differences	(1,166)	(3,007)
Dividends received from group undertakings	(7,124,837)	(12,000,000)
Royalties	(315,313)	(267,457)
Other Income	(2,240)	(2,776)

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

5. 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 payable to the Company's auditor and its associates for the audit of the Company's annual accounts	5,900	5,400

Notes to the Financial Statements

For the year ended 30 September 2017

6. Employees

Staff costs were as follows:

	2017	2016
	£	£
Wages and salaries	5,098	4,601
Social security costs	1,957	903
Cost of defined contribution scheme	1,120	607
	<u>8,175</u>	<u>6,111</u>

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

	2017	2016
	No.	No.
Production	3	4
Administrative	2	2
	<u>5</u>	<u>6</u>

7. Interest receivable

	2017	2016
	£	£
Other interest receivable	789	100
	<u>789</u>	<u>100</u>

8. Interest payable and similar charges

	2017	2016
	£	£
Bank interest payable	96,745	128,329
Other loan interest payable	15,838	13,513
Finance leases and hire purchase contracts	23,135	18,051
	<u>135,718</u>	<u>159,893</u>

Notes to the Financial Statements

For the year ended 30 September 2017

9. Taxation

	2017 £	2016 £
Corporation tax		
Adjustments in respect of previous periods	61,310	(439,785)
	<u>61,310</u>	<u>(439,785)</u>
Foreign tax		
Foreign tax on income for the year	17,095	2,624
Total current tax	<u>78,405</u>	<u>(437,161)</u>
Deferred tax		
Origination and reversal of timing differences	(13,804)	(24,158)
Changes to tax rates	-	(7,000)
Adjustment in respect of prior periods	(6,625)	165,713
Total deferred tax	<u>(20,429)</u>	<u>134,555</u>
Taxation on profit/(loss) on ordinary activities	<u>57,976</u>	<u>(302,606)</u>

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	<u>5,317,082</u>	<u>8,571,905</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20%)	1,063,416	1,714,381
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	75,612	29,225
Adjustments to tax charge in respect of prior periods	68,701	(274,072)
Short term timing difference leading to an increase (decrease) in taxation	-	(4,315)
Non-taxable group income	(1,389,246)	(2,400,000)
Adjustment for tax rates differences in foreign jurisdictions	17,095	2,624
Group relief	-	629,551
Deferred tax not recognised	222,398	-
Total tax charge for the year	<u>57,976</u>	<u>(302,606)</u>

Notes to the Financial Statements

For the year ended 30 September 2017

10. Dividends

	2017 £	2016 £
Ordinary shares	<u>5,300,000</u>	<u>9,000,000</u>

11. Intangible assets

	Development costs £
Cost	
At 1 October 2016	3,397,477
Additions	1,036,395
At 30 September 2017	<u>4,433,872</u>
Amortisation	
At 1 October 2016	718,559
Charge for the year	240,004
At 30 September 2017	<u>958,563</u>
Net book value	
At 30 September 2017	<u>3,475,309</u>
At 30 September 2016	<u>2,678,918</u>

Notes to the Financial Statements

For the year ended 30 September 2017

12. Tangible fixed assets

	Freehold property £	Long-term leasehold property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost or valuation					
At 1 October 2016	671,765	4,010,851	1,096,454	649,490	6,428,560
Additions	-	7,000	49,270	8,297	64,567
At 30 September 2017	<u>671,765</u>	<u>4,017,851</u>	<u>1,145,724</u>	<u>657,787</u>	<u>6,493,127</u>
Depreciation					
At 1 October 2016	-	246,632	480,965	39,289	766,886
Charge for the year	-	112,293	188,283	65,042	365,618
At 30 September 2017	<u>-</u>	<u>358,925</u>	<u>669,248</u>	<u>104,331</u>	<u>1,132,504</u>
Net book value					
At 30 September 2017	<u>671,765</u>	<u>3,658,926</u>	<u>476,476</u>	<u>553,456</u>	<u>5,360,623</u>
At 30 September 2016	<u>671,765</u>	<u>3,764,219</u>	<u>615,489</u>	<u>610,201</u>	<u>5,661,674</u>

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

	2017 £	2016 £
Land and buildings	-	18,063
Plant and machinery	-	57,443
Furniture, fittings and equipment	<u>204,904</u>	<u>231,061</u>
	<u>204,904</u>	<u>306,567</u>

Notes to the Financial Statements

For the year ended 30 September 2017

13. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 October 2016	2,706,137
Additions	48,337
At 30 September 2017	<u>2,754,474</u>
Net book value	
At 30 September 2017	<u>2,754,474</u>
At 30 September 2016	<u>2,706,137</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Country of incorporation
Advanced Insulation Systems Limited	Ordinary	100 %	United Kingdom
Advanced Insulation Systems do Brazil Ltda	Ordinary	100 %	Brazil
Advanced Insulation Contracting Limited	Ordinary	100 %	United Kingdom
Contraflex Kazakhstan LLP	Ordinary	50 %	Kazakhstan
AIS Asset Holding Limited	Ordinary	100 %	British Virgin Islands
AIS FZE	Ordinary	100 %	United Arab Emirates
Advanced Insulation Korea Limited	Ordinary	75 %	South Korea
AI Systems Inc	Ordinary	100 %	USA
Manuplas Limited	Ordinary	100 %	United Kingdom
Covertherm Limited	Ordinary	90 %	United Kingdom
Advanced PFP Services Limited	Ordinary	100 %	United Kingdom
Advanced Insulation Services Angola Lda	Ordinary	49 %	United Kingdom
A.I. Systems Canada Limited	Ordinary	100 %	Canada
Advanced Insulation Norway AS	Ordinary	100 %	Norway
Advanced Insulation Malaysia SDN BHD	Ordinary	100 %	Malaysia
C-Ling Limited	Ordinary	50 %	United Kingdom

Notes to the Financial Statements

For the year ended 30 September 2017

13. Fixed asset investments (continued)

Shareholdings in all companies are held by Advanced Insulation Limited, with the exception of:

Advanced Insulation Systems do Brazil Ltd	- held 1% by AI Systems Limited and 99% by AI Limited
Contraflex Kazakhstan LLP	- held by Advanced Insulation Contracting Limited
AIS FZE	- held by AIS Asset Holding Limited
Advanced Insulation Korea Limited	- held by AIS FZE
C-Ling Limited	- held by Advanced Insulation Systems Limited

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 Limited	11,900,078	4,697,227
Advanced Insulation Systems do Brazil Ltda	(147,017)	(428,187)
Advanced Insulation Contracting Limited	2,763,055	2,584,273
Contraflex Kazakhstan LLP	65,478	639,353
AIS Assets Holdings Limited	30,266	-
AIS FZE	2,236,459	(230,158)
Advanced Insulation Korea Limited	1,018,526	799,484
AI System Inc	(1,359,321)	(611,122)
Manuplas Limited	(290,566)	825,400
Covertherm Limited	997,255	80,443
Advanced PFP Services Limited	24,382	(1,000)
Advanced Insulation Services Angola Lda	1,344,769	(2,363,027)
A.I. Systems Canada Limited	517,171	145,489
Advanced Insulation Norway AS	1,403	(889)
Advanced Insulation Malaysia SDN BHD	(2,617)	(2,617)
C-Ling Limited	(2,069)	(2,071)

Notes to the Financial Statements

For the year ended 30 September 2017

14. Stocks

	2017 £	2016 £
Work in progress	12,981	3,537

15. Debtors

	2017 £	2016 £
Amounts owed by group undertakings	15,032,245	16,206,008
Corporation tax recoverable	333,135	687,638
Prepayments and accrued income	96,779	201,522
VAT recoverable	24,561	-
	15,486,720	17,095,168

16. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	705,773	236,315

17. Creditors: Amounts falling due within one year

	2017 £	2016 £
Bank loans	588,383	539,772
Trade creditors	168,098	187,192
Amounts owed to group undertakings	22,969,028	22,753,105
Obligations under finance lease and hire purchase contracts	65,352	91,028
Other creditors	167,561	83,780
Accruals and deferred income	23,741	43,415
	23,982,163	23,698,292

Notes to the Financial Statements

For the year ended 30 September 2017

18. Creditors: Amounts falling due after more than one year

	2017 £	2016 £
Bank loans	2,492,238	3,080,620
Net obligations under finance leases and hire purchase contracts	82,538	135,014
Other creditors	-	167,559
	<u>2,574,776</u>	<u>3,383,193</u>

Secured loans

The bank overdraft facility held with Santander UK plc is secured by a composite guarantee and right of set-off covering the company and its parent.

Finance lease and hire purchase liabilities are secured on the assets to which they relate.

The bank loan has been secured by way of a first legal mortgage over the long term leasehold property at Quedgeley and over freehold property at Plymouth.

19. Loans

Analysis of the maturity of loans is given below:

	2017 £	2016 £
Amounts falling due within one year		
Bank loans	<u>588,383</u>	<u>539,772</u>
Amounts falling due 2-5 years		
Bank loans	<u>2,492,238</u>	<u>3,080,620</u>

Notes to the Financial Statements

For the year ended 30 September 2017

20. Commitments under operating and finance leases

Future minimum lease payments in relation to land and buildings:

	2017 £	2016 £
Within one year	241,560	241,560
Between 2-5 years	966,240	966,240
Over 5 years	433,466	678,381
	<u>1,641,266</u>	<u>1,886,181</u>

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

	2017 £	2016 £
Within one year	65,353	91,028
Between 1-2 years	82,537	59,888
Between 3-5 years	-	75,126
	<u>147,890</u>	<u>226,042</u>

21. Financial instruments

	2017 £	2016 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	16,060,769	16,442,323
	<u>16,060,769</u>	<u>16,442,323</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(26,409,047)	(26,644,469)
	<u>(26,409,047)</u>	<u>(26,644,469)</u>

Notes to the Financial Statements

For the year ended 30 September 2017

22. Deferred taxation

	2017 £	2016 £
At beginning of year	(38,842)	95,713
Charged to profit or loss	20,429	24,158
Prior year adjustment	-	(158,713)
At end of year	(18,413)	(38,842)

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	(18,413)	(38,842)

23. Share capital

	2017 £	2016 £
Shares classified as equity		
Authorised, allotted, called up and fully paid		
13,109,600 Allotted, called up and fully paid shares of £0.01 each	131,096	131,096

24. Reserves

Share premium account

Represents the amount received by the Company over and above the face value of its shares.

Profit and loss account

Contains all current and prior year retained profits and losses

25. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. Contributions totalling £nil (2016: £nil) were payable to the fund at the balance sheet date and are included in creditors

Notes to the Financial Statements

For the year ended 30 September 2017

26. Related party transactions

During the year, the Company received purchase invoices totaling £3,300 (2016: £2,989) from Caspian Caviar Limited, a company controlled by Mr S Shepherd, a Director of Advanced Insulation Limited. No amounts were due to Caspian Caviar Limited at the year end (2016: £Nil)

During the year, the Company paid rent and service charges of £339,659 (2016: £318,850) to SADE properties, a company under the control of Mr S Shepherd, Mr A Bennion, Mr E Weeks and Mr D Williams. At the year end, £11,637 was due to SADE properties (2016: £82,803).

During the year, the Company repaid deferred consideration of £83,780 (2016: £68,289) to Mr P Kendrick, a director of Covertherm Limited. At the year end £167,559 (2016: £251,339) was outstanding to Mr P Kendrick.

As at the year end there were amounts outstanding from Covertherm Ltd, to the company, of £48,979 (2016: (£35,891)). The movements in the Intercompany loan account balances between the years ended 30 September 2016 and 2017, of £84,870 (30 September 2015 to 30 September 2016: £176,917), relate to intercompany invoices and the transfer of funds between Covertherm Ltd and the company.

As at the year end there were amounts outstanding to Advanced Insulation Korea Ltd, from the company, of £8,828 (2016: £42,149). The movements in the Intercompany loan account balances between the years ended 30 September 2016 and 2017, of £33,591 (30 September 2015 to 30 September 2016: £70,643), relate to intercompany invoices and the transfer of funds between AI Korea Ltd and the company.

As at the year end there were amounts outstanding to the company, from Advanced Insulation Services Angola Lda, of £246,000 (2016: £246,000). The movements in the Intercompany loan account balances between the years ended 30 September 2016 and 2017, of £nil (30 September 2015 to 30 September 2016: £nil), 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 to the company, from Contraflex Kazakhstan LLP, of £223,231 (2016: £168,124). The movements in the Intercompany loan account balances between the years ended 30 September 2016 and 2017, of £55,107 (30 September 2015 to 30 September 2016: £12,244), relate to intercompany invoices and the transfer of funds between Contraflex Kazakhstan LLP and the company.

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.

27. Ultimate parent undertaking and controlling party

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

The ultimate undertaking and the largest group in which the accounts are consolidated is Advanced Insulation Holdings Limited, which is incorporated in the United Kingdom.

There is no ultimate controlling related party.