

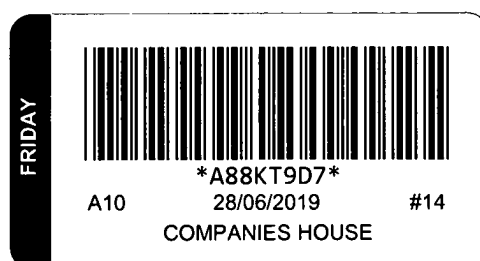
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Registration number: 06416439

# Advanced Insulation Limited

Annual Report and Financial Statements

for the Year Ended 30 September 2018



## **Advanced Insulation Limited**

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## **Advanced Insulation Limited**

### **Company Information**

<b>Directors</b>	S H Shepherd A D Bennion D A Williams A M King
<b>Company secretary</b>	A D Bennion
<b>Registered number</b>	06416439
<b>Registered office</b>	Unit E Quedgeley West Business Park Bristol Road Gloucester GL2 4PA
<b>Auditors</b>	Grant Thornton UK LLP 2 Glass Wharf Bristol BS2 0EL
<b>Solicitors</b>	DAC Beachcroft LLP Portwall Place Portwall Lane Bristol BS1 6NA

## **Advanced Insulation Limited**

### **Strategic Report for the Year Ended 30 September 2018**

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

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 £1,001,784 (2017 - £5,259,106).

During the year, dividends of £500,000 (2017 - £5,300,000) 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 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.

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

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

#### **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.

**Advanced Insulation Limited**

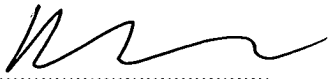
**Strategic Report for the Year Ended 30 September 2018**

**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 uses working capital funding from its bankers.

The company does not undertake any hedging in this area.

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



.....  
A D Bennion  
Director

## **Advanced Insulation 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:

S H Shepherd

A D Bennion

D A Williams

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;
- 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 Limited**

### **Directors' Report for the Year Ended 30 September 2018**

#### **Disclosure of information to the auditors**

The directors confirm that:

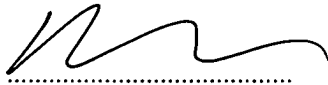
- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the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

#### **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~~ 28-03-2019 and signed on its behalf by:



A D Bennion  
Director

## **Advanced Insulation Limited**

### **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 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 Limited**

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

### Independent Auditor's Report to the Members of Advanced Insulation 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



Timothy Lincoln BA ACA (Senior Statutory Auditor)  
For and on behalf of Grant Thornton UK LLP, Statutory Auditor

2 Glass Wharf  
Bristol  
BS2 0EL

25.4.19  
Date:.....

# Advanced Insulation Limited

## Statement of Comprehensive Income for the Year Ended 30 September 2018

	Note	2018 £	2017 £
Turnover		1,621,046	1,824,775
Administrative expenses		(3,279,594)	(3,499,843)
Other operating income		<u>69,644</u>	<u>2,242</u>
Operating loss	4	(1,588,904)	(1,672,826)
Income from shares in group undertakings		2,700,000	7,124,837
Interest receivable and similar income	7	71	789
Interest payable and similar expenses	8	<u>(94,341)</u>	<u>(135,718)</u>
Profit before tax		1,016,826	5,317,082
Taxation	9	<u>(15,042)</u>	<u>(57,976)</u>
Profit for the financial year		<u><u>1,001,784</u></u>	<u><u>5,259,106</u></u>

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 33 form an integral part of these financial statements.

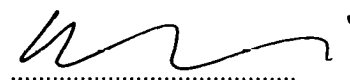
**Advanced Insulation Limited**

(Registration number: 06416439)

**Statement of Financial Position as at 30 September 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Intangible assets	11	3,702,535	3,475,309
Tangible assets	12	4,433,316	5,360,623
Investments	13	2,753,846	2,754,474
		<u>10,889,697</u>	<u>11,590,406</u>
<b>Current assets</b>			
Stocks	14	38,576	12,981
Debtors: amounts falling due within one year	15	17,855,218	15,486,720
Cash at bank and in hand		560,056	705,773
		<u>18,453,850</u>	<u>16,205,474</u>
<b>Creditors: Amounts falling due within one year</b>	17	<u>(25,957,985)</u>	<u>(23,982,163)</u>
<b>Net current liabilities</b>		<u>(7,504,135)</u>	<u>(7,776,689)</u>
<b>Total assets less current liabilities</b>		3,385,562	3,813,717
<b>Creditors: Amounts falling due after more than one year</b>	18	(1,565,205)	(2,574,776)
<b>Provisions for liabilities</b>	22	<u>(98,045)</u>	<u>(18,413)</u>
<b>Net assets</b>		<u>1,722,312</u>	<u>1,220,528</u>
<b>Capital and reserves</b>			
Called up share capital	23	131,096	131,096
Share premium reserve	24	795,974	795,974
Profit and loss account	24	<u>795,242</u>	<u>293,458</u>
<b>Total equity</b>		<u>1,722,312</u>	<u>1,220,528</u>

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



A D Bennion  
Director

The notes on pages 12 to 33 form an integral part of these financial statements.

# Advanced Insulation Limited

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

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 October 2017	131,096	795,974	293,458	1,220,528
Comprehensive income for the year				
Profit for the year	-	-	1,001,784	1,001,784
Total comprehensive income	-	-	1,001,784	1,001,784
Dividends: Equity capital	-	-	(500,000)	(500,000)
At 30 September 2018	131,096	795,974	795,242	1,722,312
	Share capital £	Share premium £	Profit and loss account £	Total £
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	-	-	5,259,106	5,259,106
Dividends: Equity capital	-	-	(5,300,000)	(5,300,000)
At 30 September 2017	131,096	795,974	293,458	1,220,528

The notes on pages 12 to 33 form an integral part of these financial statements.

## **Advanced Insulation 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 is that of 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.

#### **2 Accounting policies**

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

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 financial statements are presented in Sterling (£) which is also the functional currency of the company.

##### **Group accounts not prepared**

The financial statements contain information about Advanced Insulation 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 Group 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 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

#### **Going concern**

The company has net current liabilities of £7,504,135 (2017 - £7,776,689).

The company is an intermediate holding company and its statement of financial position 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.

#### **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.

#### **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 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.

## **Advanced Insulation Limited**

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

#### **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
-------------------	------------------------

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

#### **Tangible fixed assets**

Tangible fixed assets under the cost model are stated at cost less any 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 disposal are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

#### **Valuation of investments**

Investments 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.



## **Advanced Insulation Limited**

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

#### **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.

#### **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 as loans and receivables.

## **Advanced Insulation 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 creditors and other creditors***

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

## **Advanced Insulation Limited**

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

#### **Foreign currency translation**

Foreign currency transaction 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 costs 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.

#### **Finance costs**

Finance costs are charged to profit or loss 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.

#### **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.

## **Advanced Insulation 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 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 the statement of comprehensive income 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 profit or loss 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 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 profit or loss 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.

#### **Current and deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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 taxable income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting 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

## Advanced Insulation Limited

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

- 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.

### 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 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).

#### 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.

### 4 Operating profit

The operating profit is stated after charging

	2018	2017
	£	£
Depreciation expense	357,118	365,618
Amortisation expense	301,635	240,004
Defined contribution pension cost	-	1,120
Foreign exchange gains	(12,892)	(1,166)
Operating lease expense	241,560	241,560
Dividends received from group undertakings	(2,700,000)	(7,124,837)
Royalties	(197,781)	(315,313)
Gain on disposal of property, plant, and equipment	<u>(419,184)</u>	<u>(2,240)</u>

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

## Advanced Insulation Limited

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

#### 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:

	2018 £	2017 £
Auditor's remuneration	<u>5,200</u>	<u>5,900</u>

#### 6 Employees

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	-	5,098
Social security costs	-	1,957
Pension costs, defined contribution scheme	<u>-</u>	<u>1,120</u>
	<u>-</u>	<u>8,175</u>

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

	2018 No.	2017 No.
Production	-	3
Administration	<u>-</u>	<u>2</u>
	<u>-</u>	<u>5</u>

# Advanced Insulation Limited

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

### 7 Interest receivable

	2018 £	2017 £
Other interest receivable	<u>71</u>	<u>789</u>

### 8 Interest payable and similar charges

	2018 £	2017 £
Bank interest payable	75,628	96,745
Other loan interest payable	12,447	15,838
Finance leases and hire purchase contracts	<u>6,266</u>	<u>23,135</u>
	<u>94,341</u>	<u>135,718</u>

### 9 Taxation

	2018 £	2017 £
<b>Corporation tax</b>		
Adjustment in respect of previous periods	(64,590)	61,310
Foreign tax adjustment to prior periods	<u>-</u>	<u>17,095</u>
Total current income tax	<u>(64,590)</u>	<u>78,405</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(16,286)	(13,804)
Adjustment in respect of prior year	<u>95,918</u>	<u>(6,625)</u>
Total deferred taxation	<u>79,632</u>	<u>(20,429)</u>
Tax on (loss)/profit on ordinary activities	<u>15,042</u>	<u>57,976</u>

## Advanced Insulation 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 differs 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>1,016,826</u>	<u>5,317,082</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 20%)	193,197	1,063,416
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	65,251	75,612
Non-taxable group income	(521,100)	(1,389,246)
Deferred tax not recognised	222,234	222,398
Adjustment to opening deferred tax balance	95,918	-
Adjustments to tax charge in respect of prior periods	(64,590)	68,701
Tax rate differences	<u>24,132</u>	<u>17,095</u>
Total tax charge for the year	<u>15,042</u>	<u>57,976</u>

#### 10 Dividends

	2018 £	2017 £
Ordinary shares	<u>500,000</u>	<u>5,300,000</u>



# Advanced Insulation Limited

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

### 11 Intangible assets

	Development costs £
<b>Cost</b>	
At 1 October 2017	4,433,872
Additions	<u>528,861</u>
At 30 September 2018	<u>4,962,733</u>
<b>Amortisation</b>	
At 1 October 2017	958,563
Amortisation charge	<u>301,635</u>
At 30 September 2018	<u>1,260,198</u>
<b>Net book value</b>	
At 30 September 2018	<u><u>3,702,535</u></u>
At 30 September 2017	<u><u>3,475,309</u></u>

# Advanced Insulation Limited

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

### 12 Tangible fixed assets

	Long-term leasehold property £	Fixtures and fittings £	Freehold property £	Plant and machinery £	Total £
<b>Cost</b>					
At 1 October 2017	4,017,851	657,787	671,765	1,145,724	6,493,127
Additions	-	-	-	70,227	70,227
Disposals	-	-	(671,765)	-	(671,765)
At 30 September 2018	<u>4,017,851</u>	<u>657,787</u>	<u>-</u>	<u>1,215,951</u>	<u>5,891,589</u>
<b>Depreciation</b>					
At 1 October 2017	358,925	104,331	-	669,248	1,132,504
Charge for the year	103,473	65,779	-	187,866	357,118
Eliminated on disposal	(31,349)	-	-	-	(31,349)
At 30 September 2018	<u>431,049</u>	<u>170,110</u>	<u>-</u>	<u>857,114</u>	<u>1,458,273</u>
<b>Net book value</b>					
At 30 September 2018	<u>3,586,802</u>	<u>487,677</u>	<u>-</u>	<u>358,837</u>	<u>4,433,316</u>
At 30 September 2017	<u>3,658,926</u>	<u>553,456</u>	<u>671,765</u>	<u>476,476</u>	<u>5,360,623</u>

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

	2018 £	2017 £
Fixtures and fittings	<u>227,672</u>	<u>204,904</u>

## **Advanced Insulation Limited**

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

#### **13 Fixed asset investments**

	<b>Investment in subsidiary companies £</b>
<b>Cost</b>	
At 1 October 2017	2,754,474
Disposals	<u>(628)</u>
At 30 September 2018	<u>2,753,846</u>
<b>Net book value</b>	
At 30 September 2018	<u>2,753,846</u>
At 30 September 2017	<u>2,754,474</u>

## Advanced Insulation Limited

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

#### Details of undertakings

The following were subsidiary undertakings of the company:

Undertaking	Country of incorporation	Class of share	Holding 2018	2017
Advanced Insulation Systems Limited	United Kingdom	Ordinary	100%	100%
Advanced Insulation Systems do Brazil Ltda	Brazil	Ordinary	99.5%	100%
Advanced Insulation Contracting Limited	United Kingdom	Ordinary	100%	100%
Contraflex LLP	Kazakhstan	Ordinary	50%	50%
AIS Asset Holding Limited	British Virgin Islands	Ordinary	100%	100%
AIS FZE	United Arab Emirates	Ordinary	100%	100%
Advanced Insulation Korea Limited	South Korea	Ordinary	75%	75%
AI Systems Inc	USA	Ordinary	100%	100%
Manuplas Limited	United Kingdom	Ordinary	100%	100%
Covertherm Limited	United Kingdom	Ordinary	90%	90%
Advanced PFP Services Limited	United Kingdom	Ordinary	100%	100%
Advanced Insulation Services Angola Lda	United Kingdom	Ordinary	49%	49%
A.I. Systems Limited	Canada	Ordinary	100%	100%
Advanced Insulation Norway AS	Norway	Ordinary	100%	100%
Advanced Insulation Malaysia SDN BHD	Malaysia	Ordinary	100%	100%
C-Ling Limited	United Kingdom	Ordinary	75%	50%

## Advanced Insulation Limited

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

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

Advanced Insulation Systems do Brazil Ltd	- held 48.75% by AI Systems Limited and 50.75% 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 2018 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	11,674,175	1,774,097
Advanced Insulation Systems do Brazil Ltda	(327,184)	(239,579)
Advanced Insulation Contracting Limited	2,910,168	847,113
Contraflex Kazakhstan LLP	(597,027)	(680,351)
AIS Assets Holding Limited	30,266	-
AIS FZE	2,967,331	625,381
Advanced Insulation Korea Limited	667,722	(371,093)
AI System Inc	(1,446,771)	(43,983)
Manuplas Limited	(290,566)	-
Covertherm Limited	1,056,496	59,241
Advanced PFP Services Limited	23,406	24
Advanced Insulation Services Angola Lda	(2,549,014)	(1,104,803)
A.I. Systems Canada Limited	946,328	407,091
Advanced Insulation Norway AS	(5,558)	(6,711)
Advanced Insulation Malaysia SDN BHD	(5,009)	(2,310)
C-Ling Limited	<u>(28,267)</u>	<u>(28,269)</u>

#### 14 Stocks

	2018	2017
	£	£
Work in progress	<u>38,576</u>	<u>12,981</u>

# Advanced Insulation Limited

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

### 15 Debtors

	2018 £	2017 £
Amounts owed by group undertakings	17,673,184	15,032,245
Prepayments and accrued income	159,457	96,779
VAT	20,392	24,561
Corporation tax recoverable	2,185	333,135
	<u>17,855,218</u>	<u>15,486,720</u>

### 16 Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	<u>560,056</u>	<u>705,773</u>

### 17 Creditors

	2018 £	2017 £
<b>Due within one year</b>		
Bank loan	525,883	588,383
Obligations under finance lease and hire purchase contracts	46,187	65,352
Trade creditors	175,066	168,098
Amounts owed to group undertakings	25,100,566	22,969,028
Other creditors	83,779	167,561
Accruals and deferred income	26,504	23,741
	<u>25,957,985</u>	<u>23,982,163</u>

Amounts owed to group undertakings are unsecured, repayable on demand and interest free.

## Advanced Insulation Limited

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

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

	2018 £	2017 £
Bank borrowings	1,528,856	2,492,238
Finance lease liabilities	<u>36,349</u>	<u>82,538</u>
	<u>1,565,205</u>	<u>2,574,776</u>

Liabilities under finance lease and hire purchase agreements 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.

#### 19 Loans

Analysis of the maturity of loans is given below:

	2018 £	2017 £
<b>Amounts falling due within one year</b>		
Bank loans	<u>525,883</u>	<u>588,383</u>
<b>Amounts falling due 2-5 years</b>		
Bank loans	<u>1,528,856</u>	<u>2,492,238</u>

#### 20 Commitments undering operating and finance leases

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

	2018 £	2017 £
Within one year	46,187	65,353
Between 1-2 years	<u>36,350</u>	<u>82,537</u>
	<u>82,537</u>	<u>147,890</u>

# Advanced Insulation Limited

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

Future minimum operating lease payments in relation to land and buildings:

	2018 £	2017 £
Not later than one year	241,560	241,560
Later than one year and not later than five years	966,240	966,240
Later than five years	188,551	433,466
	<u>1,396,351</u>	<u>1,641,266</u>

### 21 Financial instruments

	2018 £	2017 £
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<u>18,233,240</u>	<u>16,060,769</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(25,911,798)</u>	<u>(26,409,047)</u>

### 22 Deferred tax

	Deferred tax £
At 1 October 2017	18,413
Timing differences	<u>79,632</u>
At 30 September 2018	<u>98,045</u>

The deferred taxation balance is made up as follows:

	2018 £
Accelerated capital allowances	<u>98,045</u>



## Advanced Insulation Limited

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

#### 23 Share capital

Shares classified as equity

Allotted, called up and fully paid shares

	2018		2017	
	No.	£	No.	£
Ordinary of £0.01 each	<u>13,109,600</u>	<u>131,096</u>	<u>13,109,600</u>	<u>131,096</u>

#### 24 Reserves

Profit and loss account

Includes all current and prior period retained profits and losses.

Share premium account

Represents the amount received by the company over and above the nominal value of its shares.

#### 25 Pension commitments

The company operates a defined contribution pension scheme. The sum of £Nil (2017: £1,120) 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 £Nil (2017: £Nil) were due to the scheme at the year end.

## **Advanced Insulation Limited**

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

#### **26 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.

During the year, the company received purchase invoices totalling £2,193 (2017 - £3,300) 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 (2017 - £Nil).

During the year, the company paid rent and service charges of £344,301 (2017 - £339,659) 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, £Nil was due to SADE properties (2017 - £11,637).

During the year, the company repaid deferred consideration of £83,780 (2017 - £83,780) to Mr P Kendrick, a director of Covertherm Limited. At the year end, £83,780 (2017 - £167,559) was outstanding to Mr P Kendrick.

As at the year end there were amounts outstanding from Covertherm Limited, to the company, of £198,475 (2017: £48,979). The movements in the Intercompany loan account balances between the years ended 30 September 2017 and 2018, of £149,496 (30 September 2016 to 30 September 2017: £84,870) relate to intercompany invoices and the transfer of funds between Covertherm Limited and the company.

As at the year end there were amounts outstanding from Advanced Insulation Korea Ltd, to the company, of £58,265 (2017: (£8,828)). The movements in the Intercompany loan account balances between the years ended 30 September 2017 and 2018, of £67,093 (30 September 2016 to 30 September 2017: £33,591) relate to intercompany invoices and the transfer of funds between AI Korea Ltd and the company.

## **Advanced Insulation Limited**

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

As at the year end there were amounts outstanding to the company, from Advanced Insulation Services Angola Lda, of £246,000 (2017: £246,000). The movements in the Intercompany loan account balances between the years ended 30 September 2017 and 2018, of £Nil (30 September 2016 to 30 September 2017: £Nil) relate to intercompany invoices and the transfer of funds between AI Services Angola Ltd and the company.

As at the year end there were amounts outstanding to the company, from Contraflex Kazakhstan LLP, of £145,874 (2017: £223,231). The movements in the Intercompany loan account balances between the years ended 30 September 2017 and 2018, of £77,357 (30 September 2016 to 30 September 2017: £55,107) 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 Advanced Insulation Systems do Brazil Ltda, of £54,321 (2017: £31,919). The movements in the Intercompany loan account balances between the years ended 30 September 2017 and 2018, of £22,402 (30 September 2016 to 30 September 2017: £19,549) relate to intercompany invoices and the transfer of funds between Advanced Insulation Systems do Brazil Ltda and the company.

#### **27 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 Group 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.