

AEROVAC KEIGHLEY LTD

Annual report and financial statements

Registered number 01472714

For the year ended 31 December 2022

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AEROVAC KEIGHLEY LTD
Annual report and financial statements
For the year ended 31 December 2022

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AEROVAC KEIGHLEY LTD
Annual report and financial statements
For the year ended 31 December 2022

Directors' report

The directors present their Directors' report and the audited financial statements for the year ended 31 December 2022.

The Directors' report has been prepared in accordance with the special provisions relating to small companies under Section 415A of the Companies Act 2006.

The Company has taken advantage of the exemption from preparing a Strategic Report allowed by section 414B of the Companies Act 2006. The company has also taken exemptions allowable for small companies within this Directors' Report.

Principal activities

The principal activity of the company is the distribution of a range of consumable products used within the composite materials industry.

Going Concern

The financial statements have been prepared on a going concern basis. The directors have prepared going concern projections which show that the company is expected to turn a profit in the twelve months from the balance sheet date and will have a positive net cash position at the end of the period.

The company is supported by its parent, GLS Composites Distribution LLC, and a letter of support has been issued by them to state that it will support this company to meet its financial obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements.

As such, the directors have no concerns regarding the group's ability to provide financial support should it be required, and feel it is appropriate to prepare these financial statements on a going concern basis.

Results and key performance indicators

The results of the company are set out in the profit and loss account on page 9. The company uses a number of financial measures to monitor progress against strategies and corporate objectives. These are summarised below:

	31 December 2022 £000	31 December 2021 £000
Turnover	5,458	4,345
Gross profit	1,824	1,330
Gross profit %	33.4%	30.6%
Operating loss	(121)	(1,551)

Turnover in the year increased by £1,113k compared to the prior year. Gross profit percentage was also significantly higher, driven by product sales mix. Trading has been difficult this year but we are seeing an improvement as we come out of the pandemic.

We made an operating loss in 2022 of £121k, significantly lower than the prior year. This has been impacted by the increased level of sales at an improved margin, and also an absolute lower level of administrative expenses. The administrative expenses came down significantly due to the fact we were operating under new ownership with lower management recharges.

Directors' report (Continued)

In addition to financial measures, the board also monitors the company's operations with the objective of ensuring that safety, health and environmental considerations are at the core of all working practices. In measuring the success of this, the board reviews the level of reported incidents and monitors the training being undertaken by all relevant employees.

During the year, performance was satisfactory.

Principal risks and uncertainties and financial risk management

The key risk areas of the company are:

- customer pricing affecting sales and gross margin;
- loss of key customer accounts;
- foreign exchange risk; and
- ongoing impact of the UK leaving the EU

The company seeks to manage as far as possible the key risks that it faces.

The company is exposed to risks associated with the markets in which it operates and attributable to the wider social and economic environment. The company is expected to be able to perform according to its budget. The company also faces specific risk to its trading activities, such as the potential loss of major customers or suppliers. The company continues to maximise service levels and conduct business with integrity in order to minimise such risks. We also plan to expand product ranges as well as delivering improved technology and products.

Customer pricing is under constant review and is managed by our sales team. Excellent customer service and customer relations will continue to mitigate pricing pressures.

The company also faces risks specific to its trading activities, such as the potential loss of major customers or suppliers. The company continues to maximise service levels and conduct business with integrity in order to minimise such risks.

Foreign exchange risk is managed by the group treasury function, through utilising group banking facilities and internal bank accounts. We will continue to monitor the risks and opportunities involved with UK leaving the EU.

Having considered the above risks and uncertainties, the directors have a reasonable expectation that the company has adequate resources to continue operating for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Dividend

During the year dividends of £nil (2021: £1,400,000) were proposed and paid.

Directors

The Directors who held office during the period and up to the date of this report were as follows:

LC Edenbrow
DS Clears

Directors' Indemnity coverage is set at a global level for all Directors within the GLS Composites Distribution LLC business.

Post balance sheet events

There are no post balance sheet events to report.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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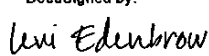
Directors' report (Continued)

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Auditor

Following a rebranding exercise on 15 May 2023, the trading name of the company's independent auditor changed from MHA MacIntyre Hudson to MHA. A resolution to reappoint MHA as independent auditor will be proposed at the next Annual General Meeting.

Approved by the board of directors and signed on its behalf by

DocuSigned by:

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I.C. Edembrow
Director
500 Bradford Road
Sandbeds, Keighley
BD20 5NG

Date: 28 September 2023

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 FRS 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 then apply them consistently;
- make judgments 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.

AEROVAC KEIGHLEY LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEROVAC KEIGHLEY LTD

Opinion

We have audited the financial statements of Aerovac Keighley Ltd (the 'Company') for the year ended 31 December 2022, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes, 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 31 December 2022 and of its loss 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 Auditors' 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 United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

AEROVAC KEIGHLEY LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEROVAC KEIGHLEY LTD (CONTINUED)

Other information

The other information comprises the information included in the annual report other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

AEROVAC KEIGHLEY LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEROVAC KEIGHLEY LTD (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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.

Auditors' 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 Auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management and those charged with governance around actual and potential litigation claims;
- Enquiring with entity staff regarding any known instances of non-compliance with laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimate for bias; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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 Auditors' Report.

AEROVAC KEIGHLEY LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEROVAC KEIGHLEY LTD (CONTINUED)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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.



Atul Kariya FCCA (Senior Statutory Auditor)
for and on behalf of

MHA

Statutory Auditor

London

Date: 28.09.2023

MHA is the trading name of the MacIntyre Hudson LLP, a Limited Liability Partnership in England and Wales, (registered number 06312313).

AEROVAC KEIGHLEY LTD
Annual report and financial statements
For the year ended 31 December 2022

Profit and loss account
for the year ended 31 December 2022

		2022	2021
	<i>Note</i>	Total £000	Total £000
Turnover	2	5,458	4,345
Cost of sales		<u>(3,634)</u>	<u>(3,015)</u>
Gross profit		1,824	1,330
Administrative expenses		<u>(1,945)</u>	<u>(2,881)</u>
Operating loss		(121)	(1,551)
Interest receivable and similar income	6	-	4
Interest payable	6	<u>(16)</u>	<u>(6)</u>
Loss before taxation		(137)	(1,553)
Tax on loss	7	<u>(155)</u>	269
Loss for the financial year		<u>(292)</u>	<u>(1,284)</u>

The results shown in the profit and loss account derive wholly from continuing operations.

The company had no recognised gains and losses other than the profit for the year in either the current or preceding year therefore, no statement of other comprehensive income has been produced.

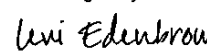
The notes on pages 12 to 25 form an integral part of these financial statements.

AEROVAC KEIGHLEY LTD
Annual report and financial statements
For the year ended 31 December 2022

Balance sheet
as at 31 December 2022

	Note	2022 £000	2021 £000
Fixed assets			
Tangible assets	9	<u>1,480</u>	<u>1,198</u>
		1,480	1,198
Current assets			
Stocks	10	994	771
Debtors	11	1,298	802
Deferred tax assets (<i>due after more than one year</i>)	13	277	432
Prepayments and accrued income		114	82
Cash at bank and in hand		<u>1,532</u>	<u>1,243</u>
		4,215	3,330
Creditors			
Trade creditors	12	(839)	(860)
Intercompany creditors		(3,753)	(2,380)
Statutory taxation payments (<i>incl. Corporation Tax</i>)		(127)	(94)
Accruals and other short term creditors		<u>(372)</u>	<u>(298)</u>
		(5,091)	(3,632)
Net current liabilities		<u>(876)</u>	<u>(302)</u>
Net assets		<u>604</u>	<u>896</u>
Capital and reserves			
Called up share capital	14	1	1
Profit and loss account		603	895
Shareholders' funds		<u>604</u>	<u>896</u>

The notes on pages 12 to 25 form an integral part of these financial statements. These financial statements were approved and authorised by the board of directors on 27 September 2023 and were signed on its behalf by:

DocuSigned by:

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LC Edenbrow
 Director

Date: 28 September 2023

Company registered number: 01472714

AEROVAC KEIGHLEY LTD
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Statement of changes in equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2022	1	895	896
Loss and total comprehensive expense for the financial year	-	(292)	(292)
Dividend Paid	-	-	-
Balance at 31 December 2022	1	603	604

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2021	1	3,579	3,580
Loss and total comprehensive expense for the financial year	-	(1,284)	(1,284)
Dividend Paid (<i>paid to previous parent company</i>)		(1,400)	(1,400)
Balance at 31 December 2021	1	895	896

Notes to the financial statements

For the year ended 31 December 2022

1 Accounting policies

Aerovac Keighley Ltd (the “Company”) is a private company, limited by shares, incorporated and registered in the UK (England and Wales) under the Companies Act 2006. The company’s registered address information is included within the Directors’ Report.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (“FRS 101”). The functional and presentational currency of the Company and its financial statements is UK GBP, rounded to the nearest £1,000.

As it is a qualifying entity, the financial statements of the company have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”), and as such do not comply with all the requirements of IFRS as adopted by the EU. The company has taken advantage of the disclosure exemptions for the relevant standards as seen below.

The Company’s immediate parent undertaking at the time of these accounts was Aerovac Systems UK Ltd, with GLS Composites Distribution LLC being the ultimate parent company. The group financial statements of the ultimate parent entity, GLS Composites Distribution LLC are not available to the public due to the company being privately owned and based in the United States of America. Aerovac Systems UK Ltd has taken advantage of FRS 101 disclosure exemptions, with the financial statements of the ultimate parent entity being filed at Companies House with these financial statements.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Comparative period reconciliations for tangible fixed assets.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 16.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis.

Notes to the financial statements

For the year ended 31 December 2022

1 Accounting policies (continued)

1.2. Going concern

The financial statements have been prepared on a going concern basis. The directors have prepared going concern projections which show that the company is expected to turn a profit in the twelve months from the balance sheet date and will have a positive net cash position at the end of the period.

The company is supported by its parent, GLS Composites Distribution LLC, and a letter of support has been issued by them to state that it will support this company to meet its financial obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements.

As such, the directors have no concerns regarding the group's ability to provide financial support should it be required, and feel it is appropriate to prepare these financial statements on a going concern basis.

1.3. Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency of GBP at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account 2022.

1.4. Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Notes to the financial statements

For the year ended 31 December 2022

1 Accounting policies (*continued*)

1.5. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The annual depreciation rates applied are as follows:

Freehold buildings	2%
Plant and machinery	15% to 25%

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.6. Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Net realisable value is calculated based on the most current selling price of the items in question.

1.7. Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

Financial Assets are assessed in order to determine any impairment applicable. Under IFRS9 the entity uses the expected credit loss model, whereby we consider historic, current and forward-looking information when determining the recognition of credit losses.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the varying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows.

Impairment charges are included in the profit or loss, except to the extent they reverse gains previously recognised in other income. An impairment loss recognised is reversed in a subsequent period if, and only if, the reasons for the impairment loss have ceased to apply.

Notes to the financial statements

For the year ended 31 December 2022

1 Accounting policies (continued)

1.8. Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.9. Turnover

Performance Obligations and Timing of Revenue Recognition

The majority of the Company's revenue is derived from selling goods, with revenue recognised at a point in time when control of the goods is deemed to have transferred to the customer. In the majority of cases this is deemed to have happened when goods are despatched from our warehouse. However, for export sales, control might also be transferred when delivered either to the port of departure or port of arrival, depending on the specific terms of the contract with a customer. There is limited judgment needed in identifying the point control passes; once physical delivery of the products to the agreed location has occurred, the Company no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

The revenue recognised excludes value added tax and other similar taxes. Most of the company's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices. Turnover is stated after the deduction of discounts and allowances for estimated future returns. The methodology and assumptions used to estimate returns are monitored and adjusted in the light of contractual and legal obligations, historical trends, past experience and projected market conditions.

1.10. Interest Receivable

Interest income is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.11. IFRS 16 lease payments

Definition

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the company to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the company has the right to:

- Obtain substantially all the economic benefits from the use of the underlying asset, and;
- Direct the use of the underlying asset (eg direct how and for what purpose the asset is used)

Initial recognition and measurement

The company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

Notes to the financial statements

For the year ended 31 December 2022

1. Accounting policies (*continued*)

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the company's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

Subsequent measurement

After the commencement date, the company measures the lease liability by:

- (a) Increasing the carrying amount to reflect interest on the lease liability;
- (b) Reducing the carrying amount to reflect the lease payments made; and
- (c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are included in finance cost in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.

The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

Lease modifications

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.

The modification is accounted for as a separate lease if both:

- (a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The company then accounts for these in line with the accounting policy for new leases.

If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.

For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.

For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

Short term and low value leases

The company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).

The company has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.

Notes to the financial statements

For the year ended 31 December 2022

1. Accounting policies (*continued*)

Lease payments on short term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the income statements.

1.12. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes to the financial statements

For the year ended 31 December 2022

2 Turnover

Turnover represents the amounts (excluding value added tax) derived solely from the provision of composite material goods to customers during the period.

<i>Category of turnover</i>	2022 £000	2021 £000
Distribution of composite material products	5,458	4,345

Analysis of turnover by geographical market

	2022 £000	2021 £000
United Kingdom	2,367	2,056
Rest of Europe	1,694	1,715
Rest of World	1,397	574
	5,458	4,345

3 Auditor's remuneration

	2022 £000	2021 £000
Audit of these financial statements	15	25

There are no non audit services for the current and prior year.

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2022	2021
Production	1	1
Administration	21	15
	22	16

The aggregate payroll costs of these persons were as follows:

	2022 £000	2021 £000
Wages and salaries	1,417	921
Health Insurance Premiums	17	5
Social security costs	189	128
Contributions to defined contribution pension plans	112	85
	1,735	1,139

There are £15,579 outstanding creditors in respect of the defined contribution pension scheme at 31 December 2022 (2021: £11,815).

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For the year ended 31 December 2022

5 Directors' remuneration

	2022 £000	2021 £000
Directors' remuneration	412	487
Company contributions to money purchase pension plans	46	43
	<hr/>	<hr/>

The highest paid director received remuneration of £213,099 (2021: £345,108).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £32,461 (2021: £30,692).

	Number of directors 2022	2021
Retirement benefits are accruing to the following number of directors under:		
Defined contribution schemes	2	2
	<hr/>	<hr/>

6 Net interest and similar income

	2022 £000	2021 £000
Interest and similar miscellaneous income	-	(4)
Interest expense	16	6
	<hr/>	<hr/>

Notes to the financial statements

For the year ended 31 December 2022

7 Taxation

Recognised in the profit and loss account

	2022 £	2021 £
Corporation Tax		
Adjustments in respect of prior periods	-	-
	-	-
Total current tax	-	-
Deferred Tax (see note 13)		
Origination and reversal of timing differences	155	(218)
Effect of tax rate change on opening balance	-	(51)
Total Deferred Tax	155	(269)
Tax on loss	155	(269)

The credit for the year can be reconciled to the profit and loss account as follows

	2022 £000	2021 £000
Loss for the year	(137)	(1,553)
Loss multiplied by standard rate of corporation tax in the UK of 19.00% (2021: 19%)	(26)	(295)
Effects of:		
Fixed asset differences	(1)	7
Non-deductible expenses	4	2
Group relief surrendered	147	118
Under provided in prior years	-	-
Difference in tax rates	39	(106)
Deferred tax not recognised	(8)	5
Total tax credit	155	(269)

The rate of corporation tax increased from 19% to 25% on 1 April 2023. The deferred taxes at the balance sheet date have been measured to the tax rate of 25%.

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8 Loss for the year

Loss for the year has been arrived at after charging/(crediting):

	2022 £000	2021 £000
Net foreign exchange losses/(gains)	(37)	(25)
Depreciation of property, plant and equipment	60	72
Staff costs (see note 4)	<u>1,735</u>	<u>1,139</u>

9 Tangible fixed assets

	Freehold land and buildings £000	IFRS 16 Lease Cars £000	Plant and Machinery £000	Total £000
Cost or valuations				
Balance at 1 January 2022	1,622	28	515	2,165
Additions	178	-	164	342
Balance at 31 December 2022	<u>1,800</u>	<u>28</u>	<u>679</u>	<u>2,507</u>
Depreciation and impairment				
Balance at 1 January 2022	488	21	458	967
Depreciation charge for the year	40	6	14	60
Balance at 31 December 2022	<u>528</u>	<u>27</u>	<u>472</u>	<u>1,027</u>
Net book value				
At 31 December 2022	<u>1,272</u>	<u>1</u>	<u>207</u>	<u>1,480</u>
At 31 December 2021	<u>1,134</u>	<u>7</u>	<u>57</u>	<u>1,198</u>

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10 Stocks

	2022 £000	2021 £000
Raw materials	886	585
Work in Progress Inventory	102	95
Finished Goods	446	427
Slow moving stock reserve	(440)	(336)
	<u>994</u>	<u>771</u>

The cost of stock recognised as an expense during the period was £3,435,296 (2021: £2,875,315).

11 Debtors

	2022 £000	2021 £000
Trade debtors	866	711
Intercompany debtors:		
- Parent	-	-
- Fellow group companies	404	-
Other debtors	28	91
	<u>1,298</u>	<u>802</u>

The amounts owed by fellow group undertakings and by the parent company are unsecured, repayable on demand and interest free.

12 Creditors: amounts falling due within one year

	2022 £000	2021 £000
Trade creditors	839	860
Intercompany creditors:		
- Parent	1,615	790
- Fellow group companies	2,138	1,590
Other taxation and social security (incl. Corporation Tax)	127	94
IFRS 16 Lease Creditor	-	10
Accruals	372	288
	<u>5,091</u>	<u>3,632</u>

While the company has intercompany borrowings, the rates are fair and obtainable in the market for a similar loan..

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13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2022 £000	Assets 2021 £000	Liabilities 2022 £000	Liabilities 2021 £000	Net 2022 £000	Net 2021 £000
Tangible fixed assets	24	77	-	-	24	77
Losses	243	355	-	-	243	355
Short term timing differences	10	-	-	-	10	-
Net tax assets	277	432	-	-	277	432

Movement in deferred tax during the year

	1 January 2022 £000	Recognised in income £000	Recognised in equity £000	31 December 2022 £000
Tangible fixed assets	77	(53)	-	24
Losses	355	(112)	-	243
Short term timing differences	-	10	-	10
	432	(155)	-	277

Movement in deferred tax during the prior year

	1 January 2021 £000	Recognised in income £000	Recognised in equity £000	31 December 2021 £000
Tangible fixed assets	68	9	-	77
Losses	95	260	-	355
	163	269	-	432

The deferred tax asset includes an amount of £243k which relates to carry-forward losses of Aerovac Keighley Ltd. The company has concluded that the deferred tax asset will be recoverable using the estimated future taxable income of the Company. We envisage the company starting to make profits in the near future, and once this profitability is established, the deferred tax asset will be recoverable. Deferred tax losses have been calculated using a tax rate of 25%, which was the rate expected to be applicable when the benefit would be realised.

14 Capital and reserves

Share capital

	2022 £000	2021 £000
Authorised and allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	1	1

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The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

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14 Capital and reserves (continued)

Dividends

Dividends of £nil (2021: £1,400,000) were proposed and paid during the period.

Reserves

The profit and loss account reserve includes all current and previous period retained profits and losses, net of any distribution to owners.

15 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2022 £000	2021 £000
Less than one year	8	10
Between one and five years	-	8
	<u>8</u>	<u>18</u>

During the year £9,990 was recognised as an expense in the profit and loss account in respect of operating leases (2021: £21,438). The operating leases included here related solely to forklift trucks used on site as well as photocopiers.

The company currently has lease arrangements in place for company cars. Rental for these is paid monthly and the leases run until February 2023. Normal restrictions apply for lease cars. In line with new IFRS 16 arrangements, these leases have been reclassified under fixed assets with associated depreciation in 2022.

16 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are disclosed in note 1, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily available from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered relevant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period and future period if the revision affects both current and future periods.

Management believe the recovery of deferred tax assets is an area of critical judgement and source of estimation uncertainty. The provision is reviewed on a quarterly basis with our tax experts.

17 Related party transactions

Guarantees

There are currently no guarantees in place affecting the entity.

During the year the Company entered into arm's length transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 December 2022 with other related parties, are as follows:

Notes to the financial statements

For the year ended 31 December 2022

17 Related party transactions (continued)

Other related party transactions

	Sales to		Administrative expenses incurred from	
	2022	2021	2022	2021
	£	£	£	£
Parent	-	-	953	484
Other Related Parties:				
• Other Cytec/Solvay group companies	-	6	-	315
• Aerovac Santa Fe Springs (fellow group)	45	47	113	-
• Aerovac Med Lab (fellow group)	-	3	-	-
• Aerovac Mondovi (fellow group co)	589	627	39	-
• Aerovac Toulouse (fellow group co)	399	382	-	-
	1,033	1,065	1,105	799

	Receivables outstanding		Creditors outstanding	
	2022	2021	2022	2021
	£	£	£	£
Parent	-	-	1,615	790
Other Related Parties:				
• Aerovac Santa Fe Springs (fellow group)	247	-	3	-
• Aerovac Med Lab (fellow group)	87	-	2,066	1,206
• Aerovac Mondovi (fellow group)	70	-	1	-
• Aerovac Toulouse (fellow group)	-	-	68	384
	404	-	3,753	2,380

18 Post balance sheet events

There are no post balance sheet events to report.

19 Ultimate parent company and parent company of larger group

The immediate parent company is Aerovac Systems UK Ltd, a company incorporated and registered in the UK. At 31 December 2022, the company's ultimate parent company was GLS Composites Distribution LLC, a company incorporated and registered in the USA.

The largest group of undertakings for which group accounts are drawn up and of which the company is included is the group headed by GL Composites Distribution LLC. GLS Composites Distribution LLC are located at 955-10 National Parkway, Schaumburg, IL 60713, USA.

The group financial statements of the ultimate parent entity, GLS Composites Distribution LLC are not available to the public due to the company being privately owned and based in the United States of America. It is a family owned business.