

Advanced Engineering Ltd

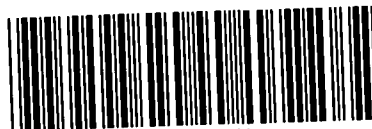
Directors' Report and Financial Statements

Year Ended

31 December 2019

Company Number 01645348

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Advanced Engineering Ltd

Company Information

Directors	N R Anderson H D W Middleton A W Thompson A S Wakelin
Registered number	01645348
Registered office	Guardian House Stroudley Road Basingstoke Hampshire RG24 8NL
Independent auditors	BDO LLP 31 Chertsey Street Guildford Surrey GU1 4HD

Advanced Engineering Ltd

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Advanced Engineering Ltd

Directors' Report For the Year Ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Principal activity

The principal activity of the Company during the period was that of a chemical products manufacturer.

Results and dividends

The profit for the year, after taxation, amounted to £438,575 (period ended 31 December 2018 - loss £264,999).

The directors declared a dividend of £1,303 (period ended 31 December 2018 - £1,072) during the year.

Directors

The directors, who held office during the year and are directors at the date of issuing this report, were as follows:

N R Anderson
H D W Middleton
A W Thompson
A S Wakelin
C G Pratt (resigned 30 June 2020)

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Subsequent events

On 30 January 2020 the Group headed by Colorado Holdco Limited (the "Group"), in which the Company is a subsidiary, was acquired by management, Inflexion Buyout V Investments LP and Inflexion Supplemental V Investments LP. 100% of the equity held in Colorado Holdco Limited, was acquired by Rocky Bidco Limited. As a consequence of this acquisition, the Group restructured its loans and borrowings; all the current banking facilities and the funding through Loan notes was repaid in full.

The outbreak and unprecedented spread of the COVID-19 pandemic across the globe has had a profound impact on local and global markets and is expected to continue to shape the economic landscape for the immediate future. The Directors continue to monitor closely the impact of unfolding events in order to respond swiftly to any consequential implications on the business.

Advanced Engineering Ltd

Directors' Report (continued) For the Year Ended 31 December 2019

Going concern

In preparing the financial statements the directors are required to assess the Company's ability to continue to trade as a going concern for the foreseeable future.

Advanced Engineering Ltd is dependent on its trading to continue to generate positive cash flows sufficient to meet the day to day working capital requirements and the terms of the Group's bank and other borrowings. As at the date of signing these financial statements, the impact of the COVID-19 pandemic on world economies and thus the impact this would have on the future financial results of the Group is unknown. In undertaking their assessment, the directors have given due consideration to the Group's new banking facilities for which the Company is a guarantor, historical and current trading, together with forward looking projections.

The various government imposed actions to combat the pandemic, such as the lockdowns imposed in a number of the key territories in which the Group operates, may lead to a material reduction in the level of revenue, difficulties in obtaining the supply of components for our products, delays in the manufacture of those products and a reduction in the recovery of the amounts owed by our customers. The Group benefits from a portfolio effect as it operates in numerous jurisdictions and is thus not confined to the fortunes of one particular territory.

The Group's performance over the period since the start of the pandemic has been strong and, at the date of signing these financial statements both Revenue and EBITDA were ahead of the corresponding period for 2019 and EBITDA was in line with the 2020 budget. The director's expectation is that the Group's performance will continue to improve and future government interventions will not have the same level of impact on the level of activity in the industries which the Group supplies as the initial response this year.

The current management forecasts show that the Group will continue to have substantial liquidity and significant headroom against the covenant contained in the new bank facility. The assumptions in the forecast have been stress tested to identify the reduction in revenue required to reduce EBITDA to a level which would breach the bank facility covenant and result in the facility being due on demand. This scenario showed that the performance for the full 12 months would need to be consistently at the lowest point of monthly performance which the Group saw at the peak of the pandemic in April. We see this scenario as a remote possibility given that the Group results recovered quickly from this point and we did not see the sustained underperformance which would be required for the covenant to be breached.

The directors have reviewed the Group's cash flow forecasts and based on their best assessment believe that the Group will have sufficient financing to ensure cash flows for the next twelve months. The directors have received a letter of support from Colorado Holdco Limited, the ultimate parent company of the Group, confirming it will continue to provide the necessary financial support for the Company for a period of at least 12 months from the date of signing these financial statements, as it may require. As such, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Auditors

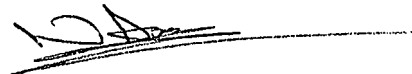
The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

Advanced Engineering Ltd

Directors' Report (continued) For the Year Ended 31 December 2019

This report was approved by the board on 29 October 2020 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'N R Anderson', with a long horizontal line extending to the right.

N R Anderson
Director

Advanced Engineering Ltd

Directors' Responsibilities Statement For the Year Ended 31 December 2019

The directors are responsible for preparing 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). 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 judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Advanced Engineering Ltd

Independent Auditors' Report to the Members of Advanced Engineering Ltd

Opinion

We have audited the financial statements of Advanced Engineering Ltd (the 'Company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the 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 31 December 2019 and of its profit for the period 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.

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 Engineering Ltd

Independent Auditors' Report to the Members of Advanced Engineering Ltd (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 Directors' Report.

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:

- 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
- 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.

Advanced Engineering Ltd

Independent Auditors' Report to the Members of Advanced Engineering Ltd (continued)

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, 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 at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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 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.

BDO LLP

Mark Hutton (Senior Statutory Auditor)
For and on behalf of **BDO LLP**, Statutory Auditor
Guildford
United Kingdom

Date: 30 October 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Advanced Engineering Ltd

Statement of Comprehensive Income For the Year Ended 31 December 2019

	Note	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Turnover	4	4,774,152	4,180,966
Cost of sales		(2,463,980)	(2,237,966)
Gross profit		2,310,172	1,943,000
Administrative expenses		(1,740,062)	(2,283,792)
Other operating income		26,000	58,333
Operating profit/(loss)	5	596,110	(282,459)
Interest payable and expenses	9	(26,580)	(7,946)
Profit/(loss) before tax		569,530	(290,405)
Tax on profit/(loss)	10	(130,955)	25,406
Profit/(loss) for the financial year		438,575	(264,999)

There was no other comprehensive income for the year to 31 December 2019 (period ended 31 December 2018: £Nil).

The notes on pages 11 to 36 form part of these financial statements.

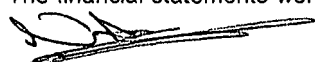
Advanced Engineering Ltd
Registered number:01645348

Statement of Financial Position
As at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	12	144,783	89,710
Tangible assets	13	952,643	232,396
		<u>1,097,426</u>	<u>322,106</u>
Current assets			
Stocks	14	614,078	737,325
Debtors: amounts falling due within one year	15	447,768	511,530
Cash at bank and in hand	16	913,941	402,833
		<u>1,975,787</u>	<u>1,651,688</u>
Creditors: amounts falling due within one year	17	(1,067,246)	(967,634)
Net current assets		<u>908,541</u>	<u>684,054</u>
Total assets less current liabilities		<u>2,005,967</u>	<u>1,006,160</u>
Creditors: amounts falling due after more than one year	18	(554,635)	-
		<u>1,451,332</u>	<u>1,006,160</u>
Provisions for liabilities			
Deferred taxation	19	(7,900)	-
Net assets		<u><u>1,443,432</u></u>	<u><u>1,006,160</u></u>
Capital and reserves			
Called up share capital	21	100	100
Profit and loss account	22	1,443,332	1,006,060
		<u><u>1,443,432</u></u>	<u><u>1,006,160</u></u>

The Company's financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 October 2020


N R Anderson
Director

The notes on pages 11 to 36 form part of these financial statements.

Advanced Engineering Ltd

Statement of Changes in Equity For the Year Ended 31 December 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2019	100	1,006,060	1,006,160
Comprehensive income for the year			
Profit for the year	-	438,575	438,575
Total comprehensive income for the period	-	438,575	438,575
Dividends	-	(1,303)	(1,303)
Total transactions with owners	-	(1,303)	(1,303)
At 31 December 2019	100	1,443,332	1,443,432

Statement of Changes in Equity For the Period Ended 31 December 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 March 2018	100	1,272,131	1,272,231
Comprehensive loss for the period			
Loss for the period	-	(264,999)	(264,999)
Total comprehensive loss for the period	-	(264,999)	(264,999)
Dividends	-	(1,072)	(1,072)
Total transactions with owners	-	(1,072)	(1,072)
At 31 December 2018	100	1,006,060	1,006,160

The notes on pages 11 to 36 form part of these financial statements.

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

1. General information

Advanced Engineering Ltd is a private company limited by shares and incorporated in England and Wales under the Companies Act. The address of the registered office can be found on the Company Information page. The nature of the Company's operations and its principal activities are detailed in the Directors' Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The principal accounting policies applied during the year were as follows:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure or details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.3 Going concern

In preparing the financial statements the directors are required to assess the Company's ability to continue to trade as a going concern for the foreseeable future.

Advanced Engineering Ltd is dependent on its trading to continue to generate positive cash flows sufficient to meet the day to day working capital requirements and the terms of the Group's bank and other borrowings. As at the date of signing these financial statements, the impact of the COVID-19 pandemic on world economies and thus the impact this would have on the future financial results of the Group is unknown. In undertaking their assessment, the directors have given due consideration to the Group's new banking facilities for which the Company is a guarantor, historical and current trading, together with forward looking projections.

The various government imposed actions to combat the pandemic, such as the lockdowns imposed in a number of the key territories in which the Group operates, may lead to a material reduction in the level of revenue, difficulties in obtaining the supply of components for our products, delays in the manufacture of those products and a reduction in the recovery of the amounts owed by our customers. The Group benefits from a portfolio effect as it operates in numerous jurisdictions and is thus not confined to the fortunes of one particular territory.

The Group's performance over the period since the start of the pandemic has been strong and, at the date of signing these financial statements both Revenue and EBITDA were ahead of the corresponding period for 2019 and EBITDA was in line with the 2020 budget. The director's expectation is that the Group's performance will continue to improve and future government interventions will not have the same level of impact on the level of activity in the industries which the Group supplies as the initial response this year.

The current management forecasts show that the Group will continue to have substantial liquidity and significant headroom against the covenant contained in the new bank facility. The assumptions in the forecast have been stress tested to identify the reduction in revenue required to reduce EBITDA to a level which would breach the bank facility covenant and result in the facility being due on demand. This scenario showed that the performance for the full 12 months would need to be consistently at the lowest point of monthly performance which the Group saw at the peak of the pandemic in April. We see this scenario as a remote possibility given that the Group results recovered quickly from this point and we did not see the sustained underperformance which would be required for the covenant to be breached.

The directors have reviewed the Group's cash flow forecasts and based on their best assessment believe that the Group will have sufficient financing to ensure cash flows for the next twelve months. The directors have received a letter of support from Colorado Holdco Limited, the ultimate parent company of the Group, confirming it will continue to provide the necessary financial support for the Company for a period of at least 12 months from the date of signing these financial statements, as it may require. As such, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.4 Changes in accounting policies

Adoption of new International Financial Reporting Standards ("Standards")

New standards, interpretations and amendments effective from 1 January 2019

New standards impacting the Company that will be adopted in the annual financial statements for the year ended 31 December 2019, and which have given rise to changes in the Company's accounting policies are:

- IFRS 16 Leases (IFRS 16); and
- IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23)

Details of the impact these two standards have had are given below. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Company as they are either not relevant to the Company's activities or require accounting which is consistent with the Company's current accounting policies.

Effects of changes in accounting policies

The Company adopted IFRS 16 and IFRIC 23 with a transition date of 1 January 2019. The Company has chosen not to restate comparatives on adoption of both standards, and therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 January 2019) and recognised in the opening equity balances. Details of the impact these two standards have had are given below. Other new and amended standards and Interpretations issued by the IASB did not impact the Company as they are either not relevant to the Company's activities or require accounting which is consistent with the Company's current accounting policies.

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.4 Impact of new international reporting standards, amendments and interpretations (continued)

IFRS 16 Leases (effective 1 January 2019)

Effective 1 January 2019, IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Company does not have significant leasing activities acting as a lessor.

Transition Method and Practical Expedients Utilised

The Company adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Company elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

On transition to IFRS 16, the Company elected to apply the following practical expedients:

- for leases previously classified as operating leases under IAS 17 -
- the Company has applied a single discount rate to a portfolio of leases with similar characteristics.
- the Company has adjusted the right-of-use assets by the amount of IAS 37 onerous contract provisions immediately before the date of initial application, as an alternative to an impairment review.
- the Company has applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of remaining lease term at the date of application.
- the Company has used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases. However, the Company has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.4 Impact of new international reporting standards, amendments and interpretations (continued)

The following tables summarise the impacts of adopting new reporting standards on the Company's financial statements.

Statement of financial position (extract)

	31 December 2018 As originally presented £	IFRS 16 £	1 January 2019 Adjusted balance £
Fixed assets			
Intangible assets	89,710	-	89,710
Tangible assets	232,296	781,207	1,013,503
	<u>322,106</u>	<u>781,207</u>	<u>1,103,313</u>
Current assets			
Stocks	737,325	-	737,325
Debtors	511,530	-	511,530
Cash at bank and in hand	402,833		402,833
	<u>1,651,688</u>	<u>-</u>	<u>1,651,688</u>
Total current assets	1,651,688	-	1,651,688
Creditors: amounts falling due within one year	(967,634)	(781,207)	(1,748,841)
	<u>1,006,160</u>	<u>-</u>	<u>1,006,160</u>
Total assets less current liabilities	1,006,160	-	1,006,160
Net assets	1,006,160	-	1,006,160
Capital and reserves			
Called up share capital	100	-	100
Profit and loss account	1,006,060	-	1,006,060
	<u>1,006,160</u>	<u>-</u>	<u>1,006,160</u>

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.4 Impact of new international report standards, amendments and interpretations (continued)

The following table reconciles the minimum lease commitments disclosed in the Company's 31 December 2018 annual financial statements to the amount of lease liabilities recognised on 1 January 2019:

	1 January 2019 £
Minimum operating lease commitment at 31 December 2018	267,169
Less: short-term leases not recognised under IFRS 16	-
Less: low value leases not recognised under IFRS 16	-
Plus: effect of extension options reasonably certain to be exercised	624,425
Undiscounted lease payments	891,594
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(110,387)
Lease liabilities for leases classified as operating type under IAS 17	781,207
Plus: leases previously classified as finance type under IAS 17	-
Lease liability as at 1 January 2019	781,207

IFRIC 23 Uncertainty over Income Tax Treatments (effective 1 January 2019)

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- The Company to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Company to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

There was no impact on the financial statements due to the adoption of IFRIC 23.

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.4 Impact of new international report standards, amendments and interpretations (continued)

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. The most significant of these are as follows, which are all effective for the period beginning 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Material)
- IFRS 3 Business Combinations (Amendment - Definition of Business)
- Revised Conceptual Framework for Financial Reporting

The Company is currently assessing the impact of these new accounting standards and amendments.

2.5 Revenue

Revenue for the Company is measured at the fair value of the consideration received or receivable excluding discounts, VAT, Customer rebates and other sales taxes or duty. The Company recognises revenue for goods sold when the control has passed to the customer and the Companies performance obligations have been met. Control passes to the customer when goods are delivered to the customer.

2.6 Other operating income

Other operating income reflects fees receivable for providing management and accounting services. The amount is recognised net of VAT and upon performance of the service.

2.7 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if all of the following criteria are satisfied:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (b) its intention to complete the intangible asset and use or sell it.
- (c) its ability to use or sell the intangible asset.
- (d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Where the criteria are not satisfied, the expenditure is written off against profits in the year in which it is incurred.

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.8 Intangible fixed assets - goodwill

Goodwill representing the excess of the purchase price compared with the fair value of net assets acquired is capitalised and written off over 3 years as in the opinion of the directors this represents the period over which the goodwill is effective.

2.9 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

The estimated useful lives range as follows:

Patents, trade marks and product - registration	10	years straight line
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2.10 Tangible fixed assets

Tangible fixed assets, excluding right of use assets (note 2.18), under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on the following bases:

Plant and machinery	-	20% Straight line
Motor vehicles	-	25% Straight line
Fixtures, fittings and equipment	-	20% Straight line
Data processing equipment	-	33% Straight line
Asset under construction	-	Not depreciated

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

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

2.11 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in the Statement of Comprehensive Income.

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.12 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.14 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Financial instruments

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

Financial assets

All financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. On initial recognition the Company classifies, a financial asset as measured at amortised cost.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit and loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At amortised cost:

These assets arise from financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. 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.

The Company's financial assets measured at amortised cost comprise cash and cash equivalents, trade and other receivables, primarily owing from company entities.

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.15 Financial instruments (continued)

Financial assets (continued)

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised. At December 31, 2019, management has determined that the twelve month expected credit loss is £nil (2018 - £nil).

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are classified according to the substance of the contractual agreements entered into.

Bank loans and loans due to group entities, which 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 ensuring the interest element of the borrowings are expensed over the repayment period at a constant rate.

Trade payables, other borrowings and other short-term monetary liabilities which are initially recognised as fair value and subsequently carried at amortised cost using the effective interest method.

Share capital

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments.

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.16 Current and deferred taxation

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

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

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

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

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

2.17 Dividends

Final equity dividends to the shareholders of the Company are recognised in the period that they are approved by shareholders. Interim equity dividends are recognised in the period they are declared by the directors.

2.18 Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

IFRS 16 was adopted 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see note 2.4. The following policies apply subsequent to the date of initial application, 1 January 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.18 Leases (continued)

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in the Statement of Comprehensive Income.

When the Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount
- and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Company to use an identified asset and require services to be provided to the Company by the lessor, the Company has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.18 Leases (continued)

The Company sometimes negotiates break clauses in its property leases. On a case-by-case basis, the Company will consider whether the absence of a break clause would expose the Company to excessive risk. Typically factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the Company.

2.19 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.20 Foreign currency translation

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

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

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

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

In preparing these financial statements, the directors have had to make the following judgements:

- Determine whether there are indicators of impairment of the Company's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Intangible and tangible fixed assets (see notes 12 and 13)
Intangible and tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- Stock obsolescence
The provision for stock obsolescence is driven by management's review of stock usage in the period and their judgement relating to specific products given their knowledge of the products and future orders.

4. Turnover

In the year ended 31 December 2019 49% (year ended 31 December 2018 - 49%) of the Company's turnover was to markets outside the United Kingdom.

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
United Kingdom	2,443,538	2,118,190
Rest of Europe	2,281,942	2,011,827
Rest of the world	48,672	50,949
	<u>4,774,152</u>	<u>4,180,966</u>

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

5. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Depreciation of tangible fixed assets	243,707	112,109
Amortisation of intangible assets, including goodwill	20,229	14,712
Exchange differences	35,944	32,317
Defined contribution pension cost	43,354	33,351
Operating lease expense	-	104,167
Research & development	3,006	281

6. Auditor's remuneration

Fees for the audit of the Company amounting to £17,000 (Period ended 31 December 2018: £23,348) were borne by a fellow Group company.

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the Group accounts of the parent Company.

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

7. Employees

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Wages and salaries	1,126,293	1,113,346
Social security costs	109,409	180,591
Other pension costs	43,354	33,351
	<u>1,279,056</u>	<u>1,327,288</u>

The average monthly number of employees during the year/period was as follows:

	Year Ended 31 December 2019 No.	Period Ended 31 December 2018 No.
Production	9	7
Administration	17	21
	<u>26</u>	<u>28</u>

8. Directors' remuneration

	Year Ended 31 December 2019 £	Period Ended 31 December 2018 £
Directors' emoluments	246,706	358,570
Company contributions to defined contribution pension schemes	10,859	8,728
	<u>257,565</u>	<u>367,298</u>

During the year retirement benefits were accruing to 2 directors (2018 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £128,182 (2018 - £125,851).

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

9. Interest payable and similar expenses

	Year Ended 31 December 2019 £	Period Ended 31 December 2018 £
Amortisation of finance costs	26,580	7,946
	<u>26,580</u>	<u>7,946</u>

10. Taxation

	Year Ended 31 December 2019 £	Period Ended 31 December 2018 £
Corporation tax		
Current tax on profits/(losses) for the year/period	100,647	(23,200)
Adjustments in respect of previous periods	20,549	(94)
Total current tax	<u>121,196</u>	<u>(23,294)</u>
Deferred tax		
Origination and reversal of timing differences	9,759	(2,112)
Taxation on profit/(loss) on ordinary activities	<u>130,955</u>	<u>(25,406)</u>

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

10. Taxation (continued)

Factors affecting tax charge/(credit) for the year/period

The tax assessed for the year/period is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	Year Ended 31 December 2019 £	Period ended 31 December 2018 £
Profit/(loss) on ordinary activities before tax	569,530	(290,405)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	108,211	(55,177)
Effects of:		
Fixed asset differences	11,225	22,191
Expenses not deductible	3,346	17,163
Additional deduction for research and development expenditure	(12,376)	(9,490)
Adjustments in respect of prior periods	20,549	(93)
Total tax charge/(credit) for the year/period	130,955	(25,406)

Factors that may affect future tax charges

A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. This will increase the company's future tax charge accordingly.

11. Dividends

	Year Ended 31 December 2019 £	Period ended 31 December 2018 £
Ordinary share capital		
Dividend paid of £13.03 per share (2018 - £10.72 per share)	1,303	1,072

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

12. Intangible assets

	Goodwill £	Other £	Total £
Cost			
At 1 January 2019	12,500	136,768	149,268
Additions	-	75,302	75,302
At 31 December 2019	12,500	212,070	224,570
Amortisation			
At 1 January 2019	12,500	47,058	59,558
Charge for the year	-	20,229	20,229
At 31 December 2019	12,500	67,287	79,787
Net book value			
At 31 December 2019	-	144,783	144,783
At 31 December 2018	-	89,710	89,710

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

13. Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Data processing equipment £	Asset under construction £	Total £
Cost or valuation							
At 1 January 2019	-	528,339	138,678	297,762	117,686	55,741	1,138,206
Impact of IFRS 16	764,641	-	16,566	-	-	-	781,207
At 1 January 2019 (adjusted balance)	764,641	528,339	155,244	297,762	117,686	55,741	1,919,413
Additions	-	106,427	46,407	13,016	16,897	-	182,747
Disposals	-	(23,000)	(50,000)	(18,891)	(8,496)	-	(100,387)
Transfers between classes	-	55,741	-	-	-	(55,741)	-
At 31 December 2019	764,641	667,507	151,651	291,887	126,087	-	2,001,773
Depreciation							
At 1 January 2019	-	447,916	92,084	249,959	115,851	-	905,810
Charge for the year	109,236	60,361	40,211	29,886	4,013	-	243,707
Disposals	-	(23,000)	(50,000)	(18,891)	(8,496)	-	(100,387)
At 31 December 2019	109,236	485,277	82,295	260,954	111,368	-	1,049,130
Net book value							
At 31 December 2019	655,405	182,230	69,356	30,933	14,719	-	952,643
At 31 December 2018	-	80,423	46,594	47,803	1,835	55,741	232,396

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

13. Tangible fixed assets (continued)

The net book value of owned and leased assets included as "Tangible fixed assets" in the Statement of Financial Position is as follows:

	2019 £
Tangible fixed assets owned	285,642
Right-of-use tangible fixed assets	667,001
	<u>952,643</u>

Information about right-of-use assets is summarised below:

Net book value

	2019 £
Leasehold improvements	655,405
Motor vehicles	11,596
	<u>667,001</u>

Depreciation charge for the year ended

	2019 £
Leasehold improvements	109,236
Motor vehicles	4,970
	<u>114,206</u>

There were no right-of-use asset additions during the year.

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

14. Stocks

	2019 £	2018 £
Raw materials and consumables	162,121	123,801
Finished goods and goods for resale	451,957	613,524
	<u>614,078</u>	<u>737,325</u>

15. Debtors

	2019 £	2018 £
Trade debtors	411,720	456,686
Other debtors	9,943	-
Prepayments and accrued income	26,105	41,269
Corporation tax recoverable	-	11,716
Deferred tax - note 19	-	1,859
	<u>447,768</u>	<u>511,530</u>

16. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	913,941	402,833
	<u>913,941</u>	<u>402,833</u>

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

17. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	219,267	401,975
Corporation tax	100,647	-
Other taxation and social security	28,310	47,088
Lease liabilities	122,933	-
Accruals and deferred income	384,418	308,203
Intercompany	211,671	210,368
	<u>1,067,246</u>	<u>967,634</u>

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

	2019 £	2018 £
Lease liabilities	<u>554,635</u>	<u>-</u>

19. Deferred taxation

	2019 £	2018 £
At beginning of year	1,859	(11,737)
Credited to profit or loss	(9,759)	13,596
At end of year	<u>(7,900)</u>	<u>1,859</u>

The deferred taxation balance is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	(7,900)	(19,125)
Losses carried forward	-	11,484
Other short term timing differences	-	9,500
	<u>(7,900)</u>	<u>1,859</u>

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

20. Capital commitments

The Company has capital commitments of £Nil (2018: £82,143) in respect of plant and equipment which were contracted for but not provided for.

21. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100

22. Reserves

The Company's reserves are as follows:

Profit and loss account

Profit and loss account represents cumulative profits or losses net of dividends paid and other adjustments.

23. Leases

Company as a lessee

The Company leases a motor vehicle and property (note 13).

Lease liabilities are due as follows:

	2019 £
Not later than one year	122,933
Between one year and five years	458,042
Later than five years	96,593
	<u>677,568</u>

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

23. Leases (continued)

Contractual undiscounted cash flows are due as follows:

	2019 £
No later than one year	130,220
Between one year and five years	506,970
Later than five years	125,004
	<u>762,194</u>

The following amounts in respect of leases, where the Company is a lessee, have been recognised in the Statement of Comprehensive Income:

	2019 £
Interest expense on lease liabilities	<u>26,580</u>

24. Related party transactions

The Company has taken advantage of the disclosure exemptions under FRS 101 relating to the requirements of IAS 24 Related Party Disclosures to disclose transactions between wholly owned members of the Group headed by Colorado Holdco Limited.

The directors are considered to be the key management of the Company. Details of their remuneration is disclosed in note 8.

25. Control

The immediate parent undertaking is Advanced Engineering Services Ltd. The directors consider the ultimate parent undertaking and controlling party to be 3i Investments Plc at 31 December 2019 by virtue of its indirect controlling interest in the Company.

The smallest and largest group in which the results of the Company are consolidated is that of Colorado Holdco Limited.

On 30 January 2020 the Group was acquired by management, Inflexion Buyout V Investments LP and Inflexion Supplemental V Investments LP. 100% of the equity held in Colorado Holdco Limited (the ultimate parent company of the Group), was acquired by Rocky Bidco Limited. As a consequence of this acquisition, the Group restructured its loans and borrowings; all the current banking facilities and the funding through Loan notes was repaid in full.

Advanced Engineering Ltd

Notes to the Financial Statements For the Year Ended 31 December 2019

26. Post balance sheet events

The outbreak and unprecedented spread of the COVID-19 pandemic across the globe has had a profound impact on local and global markets and is expected to continue to shape the economic landscape for the immediate future. The directors continue to monitor closely the impact of unfolding events in order to respond swiftly to any consequential implications on the business.