

Advanced Air (UK) Limited
Financial statements
For the year ended
30 June 2023

FRIDAY



ACE3VYV5

A05

20/10/2023

#81

COMPANIES HOUSE

Advanced Air (UK) Limited

Financial statements

Year ended 30 June 2023

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	4
Independent auditor's report to the members	6
Statement of income and retained earnings	10
Statement of financial position	11
Statement of cash flows	12
Notes to the financial statements	13

Advanced Air (UK) Limited

Officers and professional advisers

The board of directors

A Sargent
S A Nailor
M T Nailor

Company secretary

J S Hendry

Registered office

The Factory
Burrell Way
Thetford
Norfolk
IP24 3QU

Auditor

Lovewell Blake LLP
Chartered accountants & statutory auditor
Bankside 300
Peachman Way
Broadland Business Park
Norwich
NR7 0LB

Advanced Air (UK) Limited

Strategic report

Year ended 30 June 2023

The directors have pleasure in presenting their strategic report on the affairs of Advanced Air (UK) Limited ('the company') for the year ended 30 June 2023.

Principal activities and review of the business

For over 50 years the company continues to be a leading manufacturer in the UK of air distribution and fire safety systems, and provider of commissioning, after-sales servicing, and maintenance. All products are developed, tested and manufactured at our sites in Norfolk. With a £15m turnover, approximately 155 staff and over 150,000 ft² of combined manufacturing and development space, the company is one of the leading names in the UK market for efficient air distribution and fire safety products, innovation and customer satisfaction.

In the opinion of the directors, the company has performed extremely well within an increasingly competitive market, compounded with the residual challenges of BREXIT, the war in Ukraine, supply-side issues and inflationary pressures. The accounts display an excellent profit figure for the year, despite an increase in overheads compared to the previous financial year. This satisfactory level of performance has been achieved, principally, as a result of revenue growth and maintaining gross profit margins above 35%, which has been driven by continual improvements in operational efficiency and effectiveness.

December 2019 saw the company acquire a new manufacturing facility - Stephenson House - close to the primary site in Thetford, Norfolk, with this year seeing further investments in new plant and machinery. These investments follow on from continuing strong year-on-year financial performance, with further investments planned during the course of the next few years. Along with new equipment expenditures in the coming financial years, the recruitment of new sales personnel, a revamped brand presence and an increase in manufacturing capacity, provides the necessary infrastructure to support continued business growth and development in the years ahead.

The directors are satisfied that the management will continue to grow turnover and maintain the existing gross profit margin through on-going value engineering, together with product improvement plans, alongside the introduction of new products. The prospects for improving profit levels appear good for the forthcoming year subject to inflation levels, interest rates and geo-political issues, the implications of which could have an adverse impact on the number and value of construction projects, material availability and costings during this financial year.

Turnover for the year was £15,575,098 (2022: £12,173,666).

The operating profit was £1,823,776 (2022: £637,212).

Shareholders' funds increased by £1,450,551 to £5,900,469 as a result of the profit for the year. At the year end the company had net assets per share of £1,181 (2022: £891).

Key performance indicators

The directors consider that the key performance indicators (KPIs) are those that communicate financial performance, the strength of the company, and operational efficiency and effectiveness. These KPIs comprise turnover, gross profit margin, operating profit, shareholders' funds, productivity and quality.

Principal risks and uncertainties

The company's principal financial instruments comprise cash balances, invoice financing, hire purchase agreements and various items such as trade debtors and trade creditors which arise directly from trading operations. The main purpose of these financial instruments is to provide finance for the company's operations.

The main financial risks arising from the company's financial instruments are credit risk and foreign currency risk. The company minimises its exposure to credit risk by conducting status enquiries and seeking credit limits/periods which are used to monitor and hold orders if exceeded. The company seeks to minimise its exposure to currency risk by raising sales invoices in sterling where possible and settling foreign currency liabilities to overseas group companies at times when rates are favourable.

Advanced Air (UK) Limited

Strategic report *(continued)*

Year ended 30 June 2023

Future development

The management plan is to achieve an increase on profitability by maintaining gross profit margins and growing sales through existing markets through the current product range as well as introducing new products. There is also a program of further efficiency drives to improve manufacturing layouts and product redesign and new investment in tooling/machines to reduce costs and enhance productivity.

Research and development activities

There is a development program to introduce new products to expand our current product portfolio, as well as improving existing products.

This report was approved by the board of directors on 9/10/2023 and signed on behalf of the board by:

Andrew Sargent

A Sargent
Director

Jonathan Hendry

J S Hendry
Company Secretary

Registered office:
The Factory
Burrell Way
Thetford
Norfolk
IP24 3QU

Advanced Air (UK) Limited

Directors' report

Year ended 30 June 2023

The directors present their report and the financial statements of the company for the year ended 30 June 2023.

Directors

The directors who served the company during the year were as follows:

A Sargent
S A Nailor
M T Nailor

Dividends

Particulars of recommended dividends are detailed in note 12 to the financial statements.

Disclosure of information in the strategic report

In accordance with section 414C(11) of the Companies Act 2006 the company has set out the business review and principal risks and uncertainties in the Strategic report included in page 2 of these financial statements.

The Strategic report also includes information in relation to the company's future developments and research and development activities.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, 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 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.

Advanced Air (UK) Limited

Directors' report *(continued)*

Year ended 30 June 2023

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 9/10/2023 and signed on behalf of the board by:

Andrew Sargent

A Sargent
Director

Jonathan Hendry

J S Hendry
Company Secretary

Registered office:
The Factory
Burrell Way
Thetford
Norfolk
IP24 3QU

Advanced Air (UK) Limited

Independent auditor's report to the members of Advanced Air (UK) Limited

Year ended 30 June 2023

Opinion

We have audited the financial statements of Advanced Air (UK) Limited (the 'company') for the year ended 30 June 2023 which comprise the statement of income and retained earnings, statement of financial position, statement of cash flows 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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

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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

Advanced Air (UK) Limited

Independent auditor's report to the members of Advanced Air (UK) Limited (continued)

Year ended 30 June 2023

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have 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 strategic report or 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.

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.

Advanced Air (UK) Limited

Independent auditor's report to the members of Advanced Air (UK) Limited

(continued)

Year ended 30 June 2023

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.

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:

- Obtaining an understanding of the company's systems and controls and performing tests to confirm the operation of these;
- Enquiry of management and those charged with governance;
- Review of minutes of meetings of management;
- Review of accounting records to identify any indication of non-compliance with laws and regulations;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- Performing audit work over the risk of management override of controls and evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.

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.

Advanced Air (UK) Limited

Independent auditor's report to the members of Advanced Air (UK) Limited

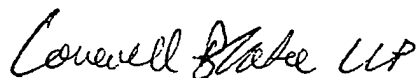
(continued)

Year ended 30 June 2023

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.



Steven Scarlett FCA (Senior Statutory Auditor)

For and on behalf of
Lovewell Blake LLP
Chartered accountants & statutory auditor
Bankside 300
Peachman Way
Broadland Business Park
Norwich
NR7 0LB

9th October 2023

Advanced Air (UK) Limited

Statement of income and retained earnings

Year ended 30 June 2023

	Note	2023 £	2022 £
Turnover	4	15,575,098	12,173,666
Cost of sales		(9,317,784)	(7,697,934)
Gross profit		6,257,314	4,475,732
Administrative expenses		(4,433,538)	(3,838,520)
Operating profit	5	1,823,776	637,212
Other interest receivable and similar income	9	3,817	—
Interest payable and similar expenses	10	(106,533)	(75,255)
Profit before taxation		1,721,060	561,957
Tax on profit	11	(163,017)	(239,480)
Profit for the financial year and total comprehensive income		<u>1,558,043</u>	<u>322,477</u>
Dividends paid and payable	12	(107,492)	(293,526)
Retained earnings at the start of the year		4,449,918	4,420,967
Retained earnings at the end of the year		<u>5,900,469</u>	<u>4,449,918</u>

All the activities of the company are from continuing operations.

The notes on pages 13 to 24 form part of these financial statements.

Advanced Air (UK) Limited

Statement of financial position

30 June 2023

		2023		2022	
	Note	£	£	£	£
Fixed assets					
Intangible assets	13		36,363		23,060
Tangible assets	14		<u>3,844,279</u>		<u>3,543,245</u>
			3,880,642		3,566,305
Current assets					
Stocks	15	2,712,279		2,457,618	
Debtors	16	4,391,979		2,639,040	
Cash at bank and in hand		<u>697,753</u>		<u>666,060</u>	
		7,802,011		5,762,718	
Creditors: Amounts falling due within one year	17	<u>(3,141,278)</u>		<u>(3,191,745)</u>	
Net current assets			<u>4,660,733</u>		<u>2,570,973</u>
Total assets less current liabilities			8,541,375		6,137,278
Creditors: Amounts falling due after more than one year	18		(2,330,552)		(1,462,496)
Provisions					
Taxation including deferred tax	20		<u>(305,354)</u>		<u>(219,864)</u>
Net assets			<u>5,905,469</u>		<u>4,454,918</u>
Capital and reserves					
Called up share capital	23		5,000		5,000
Profit and loss account	24		<u>5,900,469</u>		<u>4,449,918</u>
Shareholders funds			<u>5,905,469</u>		<u>4,454,918</u>

These financial statements were approved by the board of directors and authorised for issue on 9/10/2023, and are signed on behalf of the board by:

Andrew Sargent

A Sargent
Director

Company registration number: 01093689

The notes on pages 13 to 24 form part of these financial statements.

Advanced Air (UK) Limited

Statement of cash flows

Year ended 30 June 2023

	2023 £	2022 £
Cash flows from operating activities		
Profit for the financial year	1,558,043	322,477
<i>Adjustments for:</i>		
Depreciation of tangible assets	267,902	226,781
Other interest receivable and similar income	(3,817)	–
Interest payable and similar expenses	106,533	75,255
Tax on profit	163,017	239,480
Accrued expenses	172,174	–
<i>Changes in:</i>		
Stocks	(254,661)	(538,289)
Trade and other debtors	(1,752,939)	733,689
Trade and other creditors	(472,250)	343,095
Cash generated from operations	(215,998)	1,402,488
Interest paid	(106,533)	(75,255)
Interest received	3,817	–
Tax received/(paid)	106,508	(116,158)
Net cash (used in)/from operating activities	(212,206)	1,211,075
Cash flows from investing activities		
Purchase of tangible assets	(568,936)	(760,292)
Purchase of intangible assets	(13,303)	(12,000)
Net cash used in investing activities	(582,239)	(772,292)
Cash flows from financing activities		
Proceeds from borrowings	2,500,000	–
Repayments of borrowings	(1,537,615)	(61,565)
Proceeds from loans from group undertakings	(11)	–
Payments of finance lease liabilities	(30,894)	(29,327)
Dividends paid	(105,342)	(270,044)
Amounts received from asset refinancing	–	94,000
Net cash from/(used in) financing activities	826,138	(266,936)
Net increase in cash and cash equivalents	31,693	171,847
Cash and cash equivalents at beginning of year	666,060	494,213
Cash and cash equivalents at end of year	697,753	666,060

The notes on pages 13 to 24 form part of these financial statements.

Advanced Air (UK) Limited

Notes to the financial statements

Year ended 30 June 2023

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is The Factory, Burrell Way, Thetford, Norfolk, IP24 3QU.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Significant judgements

No critical accounting judgement was made by management in the process of applying the company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

(ii) Key sources of estimation uncertainty

No critical sources of estimation uncertainty were made by management in the process of applying the company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered, stated net of discounts and of Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer, usually on despatch of the goods, the amount of revenue can be measured reliably, it is probable that the associated economic benefits will flow to the entity, and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Revenue from the provision of services, such as commissioning or servicing, is recognised when the services are provided.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that it is probable the expenses recognised will be recovered.

Advanced Air (UK) Limited

Notes to the financial statements *(continued)*

Year ended 30 June 2023

3. Accounting policies *(continued)*

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Development costs - 50% straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Advanced Air (UK) Limited

Notes to the financial statements *(continued)*

Year ended 30 June 2023

3. Accounting policies *(continued)*

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	-	2% straight line
Plant and machinery	-	15% straight line
Fixtures and fittings	-	25% straight line

Invoice financing

The company has an invoice financing agreement in place. It is considered that the risks and rewards of ownership have not been substantially transferred to the invoice financing company at the point the sales invoice is raised. Therefore, the amounts owed from customers have not been derecognised, and a liability has been recognised in respect of amounts advanced from the invoice financing company.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

Stocks

Stocks has been valued at the lower of cost and net realisable value after making due allowances for obsolete and slow moving items.

In general, cost is determined on an average cost basis and excludes transport costs; and in the case of manufactured sub-assemblies it includes all expenditure and costs directly attributable.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based upon normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Advanced Air (UK) Limited

Notes to the financial statements *(continued)*

Year ended 30 June 2023

3. Accounting policies *(continued)*

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

4. Turnover

Turnover arises from:

	2023	2022
	£	£
Sale of goods	14,095,411	11,004,420
Rendering of services	1,479,687	1,169,246
	<u>15,575,098</u>	<u>12,173,666</u>

Advanced Air (UK) Limited

Notes to the financial statements *(continued)*

Year ended 30 June 2023

4. Turnover *(continued)*

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2023 £	2022 £
United Kingdom	15,076,955	11,809,120
Overseas	498,143	364,546
	<u>15,575,098</u>	<u>12,173,666</u>

5. Operating profit

Operating profit or loss is stated after charging/crediting:

	2023 £	2022 £
Depreciation of tangible assets	267,902	226,781
Impairment of trade debtors	994	2
Operating lease rentals	33,556	23,945
Foreign exchange differences	<u>(12,206)</u>	<u>17,841</u>

6. Auditor's remuneration

	2023 £	2022 £
Fees payable for the audit of the financial statements	<u>15,390</u>	<u>14,250</u>

7. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2023 No.	2022 No.
Production staff	98	86
Management staff	47	46
	<u>145</u>	<u>132</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2023 £	2022 £
Wages and salaries	4,818,358	3,900,714
Social security costs	444,674	360,481
Other pension costs	114,901	104,021
	<u>5,377,933</u>	<u>4,365,216</u>

Advanced Air (UK) Limited

Notes to the financial statements *(continued)*

Year ended 30 June 2023

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2023	2022
	£	£
Remuneration	208,996	179,400
Company contributions to defined contribution pension plans	6,619	3,480
	<u>215,615</u>	<u>182,880</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2023	2022
	No.	No.
Defined contribution plans	<u>1</u>	<u>1</u>

Remuneration of the highest paid director in respect of qualifying services:

	2023	2022
	£	£
Aggregate remuneration	176,396	168,403
Company contributions to defined contribution pension plans	6,619	3,481
	<u>183,015</u>	<u>171,884</u>

9. Other interest receivable and similar income

	2023	2022
	£	£
Interest on cash and cash equivalents	<u>3,817</u>	<u>—</u>

10. Interest payable and similar expenses

	2023	2022
	£	£
Interest on banks loans and overdrafts	103,093	71,993
Interest on obligations under finance leases and hire purchase contracts	3,440	3,262
	<u>106,533</u>	<u>75,255</u>

11. Tax on profit

Major components of tax expense

	2023	2022
	£	£
Current tax:		
UK current tax expense	259,035	75,000
Adjustments in respect of prior periods	(181,508)	(2,842)
Total current tax	<u>77,527</u>	<u>72,158</u>

Advanced Air (UK) Limited

Notes to the financial statements *(continued)*

Year ended 30 June 2023

11. Tax on profit *(continued)*

	2023 £	2022 £
Deferred tax:		
Origination and reversal of timing differences	85,490	167,322
Tax on profit	163,017	239,480

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2022: higher than) the standard rate of corporation tax in the UK of 20.50% (2022: 19%).

The differences are explained below:-

	2023 £	2022 £
Profit on ordinary activities before taxation	1,721,060	561,957
Profit on ordinary activities by rate of tax	352,747	106,772
Adjustment to tax charge in respect of prior periods	(181,508)	(2,842)
Effect of expenses not deductible for tax purposes	1,153	1,015
Effect of capital allowances and depreciation	(15,538)	5,584
Rounding on tax charge	–	250
Impact of tax reliefs	–	(11,986)
Change in tax rate for deferred taxation	17,433	8,411
Prior year deferred taxation provision understated	(11,270)	132,276
Tax on profit	163,017	239,480

12. Dividends

	2023 £	2022 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	107,492	293,526

Advanced Air (UK) Limited

Notes to the financial statements *(continued)*

Year ended 30 June 2023

13. Intangible assets

	Development costs £
Cost	
At 1 July 2022	58,060
Additions	13,303
At 30 June 2023	<u>71,363</u>
Amortisation	
At 1 July 2022 and 30 June 2023	35,000
Carrying amount	
At 30 June 2023	<u>36,363</u>
At 30 June 2022	<u>23,060</u>

14. Tangible assets

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost				
At 1 July 2022	3,068,425	2,414,692	728,096	6,211,213
Additions	–	406,957	161,979	568,936
At 30 June 2023	<u>3,068,425</u>	<u>2,821,649</u>	<u>890,075</u>	<u>6,780,149</u>
Depreciation				
At 1 July 2022	331,525	1,873,900	462,543	2,667,968
Charge for the year	45,033	152,474	70,395	267,902
At 30 June 2023	<u>376,558</u>	<u>2,026,374</u>	<u>532,938</u>	<u>2,935,870</u>
Carrying amount				
At 30 June 2023	<u>2,691,867</u>	<u>795,275</u>	<u>357,137</u>	<u>3,844,279</u>
At 30 June 2022	<u>2,736,900</u>	<u>540,792</u>	<u>265,553</u>	<u>3,543,245</u>

Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

	Plant and machinery £
At 30 June 2023	<u>133,184</u>
At 30 June 2022	<u>163,578</u>

Advanced Air (UK) Limited

Notes to the financial statements *(continued)*

Year ended 30 June 2023

15. Stocks

	2023	2022
	£	£
Raw materials and consumables	2,413,180	2,161,323
Work in progress	299,099	296,295
	<u>2,712,279</u>	<u>2,457,618</u>

16. Debtors

	2023	2022
	£	£
Trade debtors	4,308,361	2,565,371
Prepayments and accrued income	80,860	63,158
Other debtors	2,758	10,511
	<u>4,391,979</u>	<u>2,639,040</u>

Trade debtors are subject to an invoice financing agreement. The company retains the risks associated with bad debts.

17. Creditors: Amounts falling due within one year

	2023	2022
	£	£
Bank loans	125,000	61,566
Trade creditors	1,344,874	875,843
Amounts owed to group undertakings	41,993	42,004
Accruals and deferred income	646,870	474,696
Corporation tax	259,035	75,000
Social security and other taxes	544,855	355,276
Obligations under finance leases and hire purchase contracts	30,894	30,894
Dividends payable	2,150	23,482
Invoice financing	119,085	1,230,694
Other creditors	26,522	22,290
	<u>3,141,278</u>	<u>3,191,745</u>

Bank loans and overdrafts are secured by charges over the company's freehold properties.

Obligations under finance leases and hire purchase contracts are secured by charges over certain of the company's plant and equipment.

Invoice financing liabilities are secured by the legal assignment of trade debtors.

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

	2023	2022
	£	£
Bank loans	2,270,833	1,371,882
Obligations under finance leases and hire purchase contracts	59,719	90,614
	<u>2,330,552</u>	<u>1,462,496</u>

Advanced Air (UK) Limited

Notes to the financial statements *(continued)*

Year ended 30 June 2023

18. Creditors: Amounts falling due after more than one year *(continued)*

Included within creditors: amounts falling due after more than one year is an amount of £1,770,833 (2022: £Nil) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

Bank loans and overdrafts are secured by charges over the company's freehold properties.

During the year end the company's bank loans were consolidated into a single loan of £2,500,000 repayable over a 20 year term at an interest rate of 1.65% above base rate.

Obligations under finance leases and hire purchase contracts are secured by charges over certain of the company's plant and equipment.

19. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2023 £	2022 £
Not later than 1 year	34,334	34,334
Later than 1 year and not later than 5 years	66,390	100,724
	<u>100,724</u>	<u>135,058</u>
Less: future finance charges	(10,111)	(13,550)
Present value of minimum lease payments	<u>90,613</u>	<u>121,508</u>

20. Provisions

	Deferred tax (note 21) £
At 1 July 2022	219,864
Additions	96,760
Prior year overstated	(11,270)
At 30 June 2023	<u>305,354</u>

21. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2023 £	2022 £
Included in provisions (note 20)	<u>305,354</u>	<u>219,864</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2023 £	2022 £
Accelerated capital allowances	314,037	222,229
Pension plan obligations	(8,683)	(2,365)
	<u>305,354</u>	<u>219,864</u>

Advanced Air (UK) Limited

Notes to the financial statements (continued)

Year ended 30 June 2023

22. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £114,901 (2022: £104,021).

23. Called up share capital

Issued, called up and fully paid

	2023		2022	
	No.	£	No.	£
Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>

24. Reserves

Called up share capital - this reserve represents the nominal value of shares that have been issued

Profit and loss account - This reserve records retained earnings and accumulated losses.

25. Analysis of changes in net debt

	At 1 July 2022	Cash flows	At 30 June 2023
	£	£	£
Cash at bank and in hand	666,060	31,693	697,753
Debt due within one year	(134,464)	(63,423)	(197,887)
Debt due after one year	<u>(1,462,496)</u>	<u>(868,056)</u>	<u>(2,330,552)</u>
	<u>(930,900)</u>	<u>(899,786)</u>	<u>(1,830,686)</u>

26. Capital commitments

Capital expenditure contracted for but not provided for in the financial statements is as follows:

	2023	2022
	£	£
Tangible assets	<u>84,103</u>	<u>77,370</u>

27. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2023	2022
	£	£
Not later than 1 year	64,259	55,918
Later than 1 year and not later than 5 years	<u>104,943</u>	<u>119,321</u>
	<u>169,202</u>	<u>175,239</u>

Advanced Air (UK) Limited

Notes to the financial statements *(continued)*

Year ended 30 June 2023

28. Related party transactions

The company trades with its fellow group undertakings under normal commercial terms as follows:

	2023	2022
	£	£
Sales	627	856
Purchases	315,568	346,085
Year end liabilities	41,992	42,004

Dividends were paid to the company's parent company together with other minority shareholders.

29. Controlling party

The ultimate parent company is Michael T Nailor Enterprises Limited, a company incorporated in the province of Ontario, Canada.

The company is included in the group accounts of the immediate parent undertaking, Nailor International Inc, also incorporated in Canada.

The ultimate controlling party is Mr M T Nailor who is majority shareholder of Michael T Nailor Enterprises Limited.