

COMPANY REGISTRATION NUMBER: 1093689

**Advanced Air (UK) Limited**  
**Financial Statements**  
**30 June 2021**

**LEAMAN MATTEI**

Chartered accountants & statutory auditors  
5th Floor, 64 North Row  
Mayfair  
London  
W1K 7DA

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COMPANIES HOUSE

# **Advanced Air (UK) Limited**

## **Financial Statements**

**Year ended 30 June 2021**

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# **Advanced Air (UK) Limited**

## **Strategic Report**

**Year ended 30 June 2021**

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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 2021.

### **Principal activities and review of the business**

For 40 years Advanced Air continues to be a leading manufacturer of air distribution and fire safety systems, and provider of after-sales servicing and maintenance. All products are developed, tested and manufactured at our sites in Norfolk, ensuring our product ecosystem is fully compatible by design. With a £12m turnover, 135 staff and over 150,000 ft<sup>2</sup> of combined manufacturing and development space, Advanced Air is one of the leading names in the UK market for efficiency 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 impact of COVID-19 and the continuing uncertainty associated with BREXIT. The accounts display a very good profit figure for the year despite an increase in overheads compared to the previous financial year. This satisfactory level of financial performance has been achieved principally as a result of maintaining gross profit margins, 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 its primary site in Thetford, Norfolk, with this year seeing investments in new plant and machinery. These investments follow on from 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 and a revamped brand presence; then this 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 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 further improvements in profit levels appear good for the forthcoming year subject to COVID-19 and Brexit implications that have had an adverse impact on material availability and costing, particularly with steel and aluminium during this financial year.

Turnover for the year was £12,081,894 (2020: £10,958,541).

The operating profit was £1,004,938 (2020: £468,953).

Shareholders' funds increased by £615,103 to £4,425,967 as a result of the profit for the year. At the year end, the company had net assets per share of £885 (2020: £762).

### **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.

# Advanced Air (UK) Limited

## Strategic Report *(continued)*

Year ended 30 June 2021

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### Principal risks and uncertainties

The company's principal financial instruments comprise cash balances, invoice discounting, 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.

### 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.

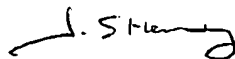
### Research and development activities

There is a development program to introduce new products to expand our current product portfolio. There will also be introductions of a new control panel system that reduces commissioning time and cost.

This report was approved by the board of directors on 2 November 2021 and signed on behalf of the board by:



A Sargent Esq.  
Director



J Hendry  
Company Secretary

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

# **Advanced Air (UK) Limited**

## **Directors' Report**

**Year ended 30 June 2021**

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The directors present their report and the financial statements of the company for the year ended 30 June 2021.

### **Directors**

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

M T Nailor Esq.

S A Nailor Esq.

A Sargent Esq. (Appointed 25 March 2021)

### **Principal activities and other information**

In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013 the company has set out the business review and the principal risks and uncertainties in the strategic report on page 1 of these accounts.

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

### **Dividends**

The directors paid a dividend as per note 11.

### **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 2021

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### Auditor

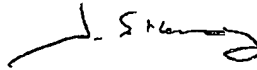
Each of the persons who is a director at the date of approval of this report confirms that:

- 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.

This report was approved by the board of directors on 2 November 2021 and signed on behalf of the board by:



A Sargent Esq.  
Director



J 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 2021**

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#### **Opinion**

We have audited the financial statements of Advanced Air (UK) Limited (the 'company') for the year ended 30 June 2021 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 2021 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.

# **Advanced Air (UK) Limited**

## **Independent Auditor's Report to the Members of Advanced Air (UK) Limited** (continued)

**Year ended 30 June 2021**

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### **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.

### **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.



## **Advanced Air (UK) Limited**

### **Independent Auditor's Report to the Members of Advanced Air (UK) Limited** *(continued)*

**Year ended 30 June 2021**

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#### **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 2021**

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### **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:

### **The extent to which the audit was considered capable of detecting irregularities including fraud**

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operation of the company, including the Companies Act 2006, taxation legislation, data protection, employment, environmental and health and safety legislation;
- we assessed the extent of non-compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence

We assess the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected, and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations; and
- understanding the design of the company's remuneration policies.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical review procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and

## **Advanced Air (UK) Limited**

### **Independent Auditor's Report to the Members of Advanced Air (UK) Limited**

*(continued)*

**Year ended 30 June 2021**

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- investigated the rationale behind significant or unusual transactions

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing the financial disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual or potential litigation and claims; and
- reviewing correspondence with HMRC and the company's legal advisors.

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

A further description of our responsibilities is available on the Financial Reporting Council's website at:

[www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx](http://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx).

This description forms part of our auditor's report.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
  - Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
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## **Advanced Air (UK) Limited**

### **Independent Auditor's Report to the Members of Advanced Air (UK) Limited** *(continued)*

**Year ended 30 June 2021**

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.



S Yeshin (Senior Statutory Auditor)

For and on behalf of  
Leaman Mattei  
Chartered accountants & statutory auditor  
5th Floor, 64 North Row  
Mayfair  
London  
W1K 7DA

2 November 2021

**Advanced Air (UK) Limited**  
**Statement of Income and Retained Earnings**  
**Year ended 30 June 2021**

	Note	2021 £	2020 £
<b>Turnover</b>	<b>4</b>	<b>12,081,894</b>	<b>10,958,541</b>
Cost of sales		<u>(7,528,227)</u>	<u>(7,395,251)</u>
<b>Gross profit</b>		<b>4,553,667</b>	<b>3,563,290</b>
Administrative expenses		<u>(3,638,538)</u>	<u>(3,254,251)</u>
Other operating income		<u>122,410</u>	<u>159,914</u>
<b>Operating profit</b>	<b>5</b>	<b>1,037,539</b>	<b>468,953</b>
Interest payable and similar expenses	<b>9</b>	<u>(32,601)</u>	<u>(30,115)</u>
<b>Profit before taxation</b>		<b>1,004,938</b>	<b>438,838</b>
Tax on profit	<b>10</b>	<u>(124,361)</u>	<u>(50,736)</u>
<b>Profit for the financial year and total comprehensive income</b>		<b><u>880,577</u></b>	<b><u>388,102</u></b>
Dividends paid and payable	<b>11</b>	<u>(265,474)</u>	<u>(104,872)</u>
<b>Retained earnings at the start of the year</b>		<b><u>3,805,864</u></b>	<b><u>3,522,634</u></b>
<b>Retained earnings at the end of the year</b>		<b><u>4,420,967</u></b>	<b><u>3,805,864</u></b>

All the activities of the company are from continuing operations.

The notes on pages 14 to 24 form part of these financial statements.

**Advanced Air (UK) Limited**  
**Statement of Financial Position**  
**30 June 2021**

	Note	2021 £	2020 £
<b>Fixed assets</b>			
Intangible assets	12	11,060	—
Tangible assets	13	3,009,734	2,539,442
		<u>3,020,794</u>	<u>2,539,442</u>
<b>Current assets</b>			
Stocks	14	1,919,329	1,594,832
Debtors	15	3,372,729	2,729,163
Cash at bank and in hand		494,213	665,570
		<u>5,786,271</u>	<u>4,989,565</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>2,282,631</u>	<u>1,847,306</u>
<b>Net current assets</b>		<u>3,503,640</u>	<u>3,142,259</u>
<b>Total assets less current liabilities</b>		<u>6,524,434</u>	<u>5,681,701</u>
<b>Creditors: amounts falling due after more than one year</b>	17	1,467,883	1,495,129
<b>Provisions</b>			
Taxation including deferred tax	19	52,542	30,542
<b>Accruals and deferred income</b>		<u>578,042</u>	<u>345,166</u>
<b>Net assets</b>		<u>4,425,967</u>	<u>3,810,864</u>
<b>Capital and reserves</b>			
Called up share capital	23	5,000	5,000
Profit and loss account	24	4,420,967	3,805,864
<b>Shareholders funds</b>		<u>4,425,967</u>	<u>3,810,864</u>

These financial statements were approved by the board of directors and authorised for issue on 2 November 2021, and are signed on behalf of the board by:



A Sargent Esq.  
Director

Company registration number: 1093689

The notes on pages 14 to 24 form part of these financial statements.

# Advanced Air (UK) Limited

## Statement of Cash Flows

Year ended 30 June 2021

	2021 £	2020 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	880,577	388,102
<i>Adjustments for:</i>		
Depreciation of tangible assets	180,062	137,583
Interest payable and similar expenses	32,601	30,115
Tax on profit	124,361	50,736
Accrued expenses/(income)	232,876	(167,304)
<i>Changes in:</i>		
Stocks	(324,497)	134,047
Trade and other debtors	(643,566)	114,789
Trade and other creditors	(43,985)	456,492
Cash generated from operations	438,429	1,144,560
Interest paid	(32,601)	(30,115)
Tax paid	(83,397)	(67,051)
Net cash from operating activities	<u>322,431</u>	<u>1,047,394</u>
<b>Cash flows from investing activities</b>		
Purchase of tangible assets	(650,354)	(1,415,657)
Purchase of intangible assets	(11,060)	—
Net cash used in investing activities	<u>(661,414)</u>	<u>(1,415,657)</u>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	376,265	1,195,344
Proceeds from loans from group undertakings	—	(180,954)
Payments of finance lease liabilities	56,835	—
Dividends paid	(265,474)	(104,872)
Net cash from financing activities	<u>167,626</u>	<u>909,518</u>
Net (decrease)/increase in cash and cash equivalents	(171,357)	541,255
Cash and cash equivalents at beginning of year	665,570	124,315
Cash and cash equivalents at end of year	<u>494,213</u>	<u>665,570</u>

The notes on pages 14 to 24 form part of these financial statements.

**Advanced Air (UK) Limited**  
**Notes to the Financial Statements**  
**Year ended 30 June 2021**

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**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.

The financial statements are prepared in sterling, which is the functional currency of the entity.

**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 the supply of fire dampers and air control equipment, stated net of discounts and of Value Added Tax.

Revenue from the sale of fire dampers and air control equipment 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.



**Advanced Air (UK) Limited**  
**Notes to the Financial Statements** *(continued)*  
**Year ended 30 June 2021**

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**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 pay or recover 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:

Software development                      -        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.

# Advanced Air (UK) Limited

## Notes to the Financial Statements *(continued)*

Year ended 30 June 2021

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### 3. Accounting policies *(continued)*

#### **Tangible assets**

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

#### **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

#### **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**

Stock 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 on 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.

#### **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.

**Advanced Air (UK) Limited**  
**Notes to the Financial Statements** *(continued)*  
**Year ended 30 June 2021**

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**3. Accounting policies** *(continued)*

**Provisions** *(continued)*

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.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

**4. Turnover**

Turnover arises from:

	2021	2020
	£	£
Sale of goods	<u>12,081,894</u>	<u>10,958,541</u>

# Advanced Air (UK) Limited

## Notes to the Financial Statements *(continued)*

Year ended 30 June 2021

### 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:

	2021	2020
	£	£
United Kingdom	11,510,352	10,509,397
Overseas	571,542	449,144
	<u>12,081,894</u>	<u>10,958,541</u>

### 5. Operating profit

Operating profit or loss is stated after charging/crediting:

	2021	2020
	£	£
Depreciation of tangible assets	180,062	137,583
Impairment of trade debtors	(7,801)	121
Operating lease rentals	31,860	36,339
Foreign exchange differences	<u>6,250</u>	<u>35,593</u>

### 6. Auditor's remuneration

	2021	2020
	£	£
Fees payable for the audit of the financial statements	<u>14,000</u>	<u>13,500</u>

### 7. Staff costs

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

	2021	2020
	No.	No.
Production staff	90	91
Management staff	<u>44</u>	<u>47</u>
	<u>134</u>	<u>138</u>

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

	2021	2020
	£	£
Wages and salaries	4,114,221	3,675,043
Social security costs	331,145	344,198
Other pension costs	<u>93,411</u>	<u>94,852</u>
	<u>4,538,777</u>	<u>4,114,093</u>

**Advanced Air (UK) Limited**  
**Notes to the Financial Statements** *(continued)*  
**Year ended 30 June 2021**

**8. Directors' remuneration**

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

	2021 £	2020 £
Remuneration	<u>42,787</u>	<u>17,398</u>

**9. Interest payable and similar expenses**

	2021 £	2020 £
Interest on banks loans and overdrafts	<u>32,601</u>	<u>30,115</u>

**10. Tax on profit**

**Major components of tax expense**

	2021 £	2020 £
<b>Current tax:</b>		
UK current tax expense	119,000	100,036
Adjustments in respect of prior periods	<u>(16,639)</u>	<u>(38,842)</u>
Total current tax	<u>102,361</u>	<u>61,194</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	<u>22,000</u>	<u>(10,458)</u>
<b>Tax on profit</b>	<u>124,361</u>	<u>50,736</u>

**Reconciliation of tax expense**

The tax assessed on the profit on ordinary activities for the year is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021 £	2020 £
Profit on ordinary activities before taxation	<u>1,004,938</u>	<u>438,838</u>
Profit on ordinary activities by rate of tax	190,938	83,379
Adjustment to tax charge in respect of prior periods	(16,639)	(38,842)
Effect of expenses not deductible for tax purposes	3,704	6,199
Rounding on tax charge	264	—
Accelerated capital allowances	(75,906)	10,458
Deferred tax	<u>22,000</u>	<u>(10,458)</u>
Tax on profit	<u>124,361</u>	<u>50,736</u>

# Advanced Air (UK) Limited

## Notes to the Financial Statements *(continued)*

Year ended 30 June 2021

### 11. Principal activities and other information

	2021 £	2020 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year )	<u>265,474</u>	<u>104,872</u>

### 12. Intangible assets

	Development costs £
<b>Cost</b>	
At 1 July 2020	35,000
Additions	<u>11,060</u>
<b>At 30 June 2021</b>	<u>46,060</u>
<b>Amortisation</b>	
At 1 July 2020 and 30 June 2021	<u>35,000</u>
<b>Carrying amount</b>	
At 30 June 2021	<u>11,060</u>
At 30 June 2020	<u>—</u>

### 13. Tangible assets

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Total £
<b>Cost</b>				
At 1 July 2020	2,491,542	1,885,053	423,973	4,800,568
Additions	<u>84,763</u>	<u>391,991</u>	<u>173,600</u>	<u>650,354</u>
<b>At 30 June 2021</b>	<u>2,576,305</u>	<u>2,277,044</u>	<u>597,573</u>	<u>5,450,922</u>
<b>Depreciation</b>				
At 1 July 2020	256,401	1,632,387	372,338	2,261,126
Charge for the year	<u>34,884</u>	<u>102,033</u>	<u>43,145</u>	<u>180,062</u>
<b>At 30 June 2021</b>	<u>291,285</u>	<u>1,734,420</u>	<u>415,483</u>	<u>2,441,188</u>
<b>Carrying amount</b>				
At 30 June 2021	<u>2,285,020</u>	<u>542,624</u>	<u>182,090</u>	<u>3,009,734</u>
At 30 June 2020	<u>2,235,141</u>	<u>252,666</u>	<u>51,635</u>	<u>2,539,442</u>

### 14. Stocks

	2021 £	2020 £
Raw materials and consumables	1,676,313	1,465,696
Work in progress	<u>243,016</u>	<u>129,136</u>
	<u>1,919,329</u>	<u>1,594,832</u>

# Advanced Air (UK) Limited

## Notes to the Financial Statements *(continued)*

Year ended 30 June 2021

### 15. Debtors

	2021 £	2020 £
Trade debtors	3,327,335	2,619,001
Prepayments and accrued income	36,754	93,104
Other debtors	8,640	17,058
	<u>3,372,729</u>	<u>2,729,163</u>

### 16. Creditors: amounts falling due within one year

	2021 £	2020 £
Bank loans and overdrafts	520,123	71,871
Trade creditors	1,272,540	1,013,837
Corporation tax	119,000	100,036
Social security and other taxes	347,188	643,585
Obligations under finance leases and hire purchase contracts	12,094	—
Other creditors	11,686	17,977
	<u>2,282,631</u>	<u>1,847,306</u>

Bank and other borrowings are secured by fixed and floating charges over the assets of the company.

### 17. Creditors: amounts falling due after more than one year

	2021 £	2020 £
Bank loans and overdrafts	1,423,142	1,495,129
Obligations under finance leases and hire purchase contracts	44,741	—
	<u>1,467,883</u>	<u>1,495,129</u>

### 18. Finance leases and hire purchase contracts

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

	2021 £	2020 £
Not later than 1 year	12,094	—
Later than 1 year and not later than 5 years	44,741	—
	<u>56,835</u>	<u>—</u>

# Advanced Air (UK) Limited

## Notes to the Financial Statements *(continued)*

Year ended 30 June 2021

### 19. Provisions

	Deferred tax (note 20) £
At 1 July 2020	30,542
Charge against provision	<u>22,000</u>
At 30 June 2021	<u>52,542</u>

### 20. Deferred tax

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

	2021 £	2020 £
Included in provisions (note 19)	<u>52,542</u>	<u>30,542</u>

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

	2021 £	2020 £
Accelerated capital allowances	<u>52,542</u>	<u>30,542</u>

### 21. Employee benefits

#### Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £93,411 (2020: £94,852).

### 22. Financial instruments

The carrying amount for each category of financial instrument is as follows:

	2021 £	2020 £
<b>Financial assets that are debt instruments measured at amortised cost</b>		
Financial assets that are debt instruments measured at amortised cost	<u>3,335,977</u>	<u>2,729,163</u>
<b>Financial liabilities measured at amortised cost</b>		
Financial liabilities measured at amortised cost	<u>2,764,200</u>	<u>2,524,116</u>

Financial assets measured at amortised cost comprise trade and other debtors.

Financial liabilities measured at amortised cost comprise bank financing, trade, group and other creditors.



**Advanced Air (UK) Limited**  
**Notes to the Financial Statements** *(continued)*  
**Year ended 30 June 2021**

**23. Called up share capital**

**Issued, called up and fully paid**

	2021		2020	
	No.	£	No.	£
Equity 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 records the nominal value of all 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 Jul 2020	Cash flows	At 30 Jun 2021
	£	£	£
Cash at bank and in hand	665,570	(171,357)	<b>494,213</b>
Debt due within one year	(71,871)	(460,346)	<b>(532,217)</b>
Debt due after one year	<u>(1,495,129)</u>	<u>27,246</u>	<u><b>(1,467,883)</b></u>
	<u>(901,430)</u>	<u>(604,457)</u>	<u><b>(1,505,887)</b></u>

**26. Operating leases**

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

	2021	2020
	£	£
Not later than 1 year	<b>30,535</b>	38,684
Later than 1 year and not later than 5 years	<b>38,102</b>	76,855
	<u><b>68,637</b></u>	<u><b>115,539</b></u>

**27. Contingencies**

HM Customs and Excise hold a guarantee of £80,000 in respect of VAT.

**28. Related party transactions**

During the year, the company purchased goods to the value of £199,432, and sold goods to the value of £2,875 from/to Nailor Industries of Texas, Inc., a fellow subsidiary. At the balance sheet date, the company owed Nailor Industries of Texas £95,753 (2020: £9,077).

During the year, the company purchased goods to the value of £68,760 from Nailor Industries Inc, a fellow subsidiary. No sales were made to the company. At the balance sheet date, the company owed Nailor industries Inc. £nil (2020: £34,062).

## **Advanced Air (UK) Limited**

### **Notes to the Financial Statements *(continued)***

**Year ended 30 June 2021**

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**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.