

Registration number: 02405903

Advanced Innergy Solutions Ltd

(Formerly Advanced Insulation Systems Limited)

Annual Report and Financial Statements

for the Year Ended 30 September 2021



Advanced Innergy Solutions Ltd

Company Information

Directors A D Bennion
A M King
S H Shepherd

Registered number 02405903

Registered office Unit E Quedgeley West Business Park
Bristol Road
Gloucester
GL2 4PA

Auditors RSM UK Audit LLP
Chartered Accountants
Hartwell House
55-61 Victoria Street
Bristol
BS1 6AD

Advanced Innergy Solutions Ltd

Strategic Report for the Year Ended 30 September 2021

The directors present their strategic report for the year ended 30 September 2021.

The company's principal activity is the development, manufacture, supply and application of fire-retardant coatings, sub-sea insulation materials, sub-sea cable protection systems and buoyancy products to the renewable, electric vehicle, oil, gas, and petrochemical industries.

The company is part of the Group headed by Advanced Innergy Holdings Ltd (formerly Advanced Insulation Holdings Limited) whose accounts are publicly available at the registered address.

Business review

The company generated an adjusted EBITDA of £5,539,428 compared to an adjusted EBITDA of £2,624,407 in 2020 with revenue of £34,157,699 versus £27,791,158 in 2020. Management considers these to be the key performance indicators of the company.

Principal risks and uncertainties

Group sales are primarily dependent on capital investment in the energy industry. Through its new product development programmes, the Group is in a strong position to support the new green energy markets. The Group has specified positions on several major LNG projects scheduled to run for the next 5 years, as well as new products developed for the cable protection system and EV battery pack protection markets. In addition, the recovery in the oil price has led to increasing market activity, presenting significant opportunities for the Group. Combined, these opportunities are forecast to provide significant growth for future years.

Margins remain under continual pressure as our customers look to cut costs, however, the Group has been able to maintain margins at good levels due to a very successful and on-going cost reduction programme.

Advanced Innergy Solutions Ltd

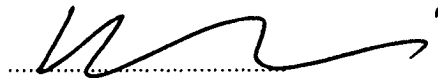
Strategic Report for the Year Ended 30 September 2021

Future developments

The Group will continue to invest up to 10% of its revenue to support its extensive Research and Development programmes. The Groups focus is on developing new products for new markets sectors, building on its extensive experience in materials technology. Existing development programmes are expected to deliver significant future growth in green energy markets. This policy is fundamental to ensuring the Group maintains its market leading position to take advantage of future growth in the Oil & Gas industry, as well as enabling the Group to continue its transition to new energy, keeping the Group at the forefront of its technologies.

The Group is continuing the process of rolling out new products that have been developed over the previous years for the renewable energy and automotive market, as well as continuing to expand our global footprint and sales to energy markets outside of oil and gas.

Approved by the Board on ~~23-12-21~~ and signed on its behalf by:



A D Bennion
Director

Advanced Innergy Solutions Ltd

Directors' Report for the Year Ended 30 September 2021

The directors present their annual report and the financial statements for the year ended 30 September 2021.

On 9 August 2021, the company name was changed from Advanced Insulation Systems Limited to Advanced Innergy Solutions Ltd.

Results and dividends

The results for the year are set out on page 14.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors of the company

The directors who held office during the year were as follows:

A D Bennion

A M King

S H Shepherd

Directors' insurance

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the reporting date.

Financial risk management objectives and policies

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

Liquidity and interest rate risk

In order to maintain liquidity, and to ensure sufficient funds are available for ongoing operations and future developments, the company uses working capital funding from its bankers.

The company does not undertake any hedging in this area.

Foreign currency risk

The company deals in multiple currencies which can cause foreign exchange risk. There is a risk that there may be an adverse movement in the exchange rate of the transaction currency in relation to the functional currency before the date when the transaction is completed.

It is company policy that exposures resulting from sales and purchases in foreign currency are matched where possible, and the net exposure may be hedged by the use of forward exchange contracts. The company does not undertake speculative foreign exchange dealings for which there is no underlying exposure.

Advanced Innergy Solutions Ltd

Directors' Report for the Year Ended 30 September 2021

Credit risk

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are carried out on all customers requiring credit. The Group minimises this risk by use of credit insurance and trade finance instruments such as letter of credit. At the balance sheet date there were no significant concentrations of credit risk.

Market risk

The company predominantly operates in the Oil and Gas Industry and is therefore subject to the risks of this market. The company looks to manage this risk by working with its customers on price expectations in the current climate and continues with extensive Research and Development programmes to ensure the company remains at the forefront of its technologies.

Auditor

RSM UK Audit LLP were reappointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be reappointed will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Other matters included in the Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of the principal activity and future developments of the company.

Advanced Innergy Solutions Ltd

Directors' Report for the Year Ended 30 September 2021


Covid-19

At the time of approval of these financial statements, 'Covid-19' and subsequent emerging variants of the virus are continuing to give rise to additional risk and uncertainty. The directors have considered these risks and have taken steps and actions they consider appropriate to minimise the associated impact. These include and are not limited to preparation of business continuity plans, forward looking cash-flow projections and a continued review of government backed reliefs.

The Group meets its day-to-day working capital requirements with its available retained cash supported by a rolling contract finance line provided by the Group's bankers.

The directors have prepared an extensive three-year forecast which takes into account the current market environment, as discussed in the Strategic Report, and this shows that the Group shall be able to operate within its available cash and working capital facilities.

Approved by the Board on 23-12-21 and signed on its behalf by:



A D Bennion
Director

Advanced Innergy Solutions Ltd

Directors' Responsibilities Statement for the Year Ended 30 September 2021

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101: Reduced Disclosure Framework ('FRS 101'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 Innergy Solutions Ltd

Independent Auditor's Report to the Members of Advanced Innergy Solutions Ltd

Opinion

We have audited the financial statements of Advanced Innergy Solutions Limited (the 'company') for the year ended 30 September 2021 which comprise the income statement, statement of financial position, statement of change in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 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 Innergy Solutions Ltd

Independent Auditor's Report to the Members of Advanced Innergy Solutions Ltd

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 contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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 Innergy Solutions Ltd

Independent Auditor's Report to the Members of Advanced Innergy Solutions Ltd

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, 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.

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

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

Advanced Innergy Solutions Ltd

Independent Auditor's Report to the Members of Advanced Innergy Solutions Ltd

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the company operates in and how the company is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS101, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from external tax advisors.

We consider the most significant laws and regulations that have an indirect impact on the financial statements is compliance with health and safety compliance, including disposal of hazardous waste. Audit procedures performed included, but were not limited to, inspecting correspondence with and advice received from the group's health and safety consultants and discussions with employees regarding health and safety.

The audit engagement team identified the risk of management override of controls, capitalised development costs under IAS38 and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud.

- Audit procedures performed included, but were not limited to, testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, reviewing accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement and evaluating whether the business rationale (or the lack thereof) if the transactions outside the normal course of business suggest that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.

- Audit procedures in relation to capitalised development costs under IAS38 performed, included but were not limited to, testing a sample of projects held in the group's balance sheet to ensure that appropriate evidence existed to support initial recognition under IAS 38, reviewing samples of costs capitalised to verify the criteria for capitalization, and challenging management as to whether any development costs held at the balance sheet date were impaired.

Advanced Innergy Solutions Ltd

Independent Auditor's Report to the Members of Advanced Innergy Solutions Ltd

- Audit procedures in relation to IFRS 15 performed, included but were not limited to, testing a sample of open contracts to ensure initial IFRS 15 criteria was appropriate, discussions with senior management in both finance and non-finance on a sample of open contracts and we assessed the control environment in place for a sample of sales transactions, with a focus on the stage of completion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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.

RSM UK Audit LLP

Hywel Pegler (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants
Hartwell House
55-61 Victoria Street
Bristol
BS1 6AD

Date: 21 January 2022

Advanced Innergy Solutions Ltd

Income Statement for the Year Ended 30 September 2021

	Note	2021 £	2020 £
Revenue	4	34,157,699	27,791,158
Cost of sales		<u>(22,440,041)</u>	<u>(19,350,213)</u>
Gross profit		11,717,658	8,440,945
Administrative expenses		(6,802,558)	(6,237,298)
Other operating income		<u>624,328</u>	<u>420,760</u>
Adjusted EBITDA		5,539,428	2,624,407
Depreciation of tangible fixed assets:			
- Owned by the company		(1,051,439)	(726,256)
- Leased assets		(489,328)	(385,748)
Amortisation of intangible fixed assets		(25,422)	(28,362)
Exceptional items	5	<u>-</u>	<u>(4,157,138)</u>
Operating profit/(loss)	7	3,973,239	(2,673,097)
Investment income	9	438,408	54,712
Finance costs	10	(330,406)	(48,117)
Other gains and losses		<u>(653,783)</u>	<u>1,321,570</u>
Profit/(loss) before tax		3,427,458	(1,344,932)
Taxation	12	<u>177,707</u>	<u>(151,271)</u>
Profit/(loss) and total comprehensive income for the financial year		<u>3,605,165</u>	<u>(1,496,203)</u>

The Income Statement has been prepared on the basis that all operations are continuing operations.

There was no other comprehensive income for 2021 (2020: £Nil).

The notes on pages 17 to 47 form an integral part of these financial statements.

Advanced Innergy Solutions Ltd

(Registration number: 02405903)

Statement of Financial Position as at 30 September 2021

	Note	2021 £	2020 £
Non-current assets			
Other intangible assets	13	3,083,184	2,302,488
Property, plant and equipment	14	10,338,768	4,706,722
Investments	15	234,285	147,883
		<u>13,656,237</u>	<u>7,157,093</u>
Current assets			
Inventories	17	4,029,095	2,314,782
Derivative financial instruments		-	1,150,415
Trade and other receivables	18	34,552,248	28,731,944
Cash and cash equivalents		2,073,999	1,684,450
Current tax recoverable		1,499,311	1,416,550
		<u>42,154,653</u>	<u>35,298,141</u>
Current liabilities			
Borrowings	19	(3,000,000)	(5,402,739)
Trade and other payables	20	(29,719,514)	(22,561,874)
Taxation and social security		(241,937)	(1,060,193)
Derivative financial instruments		(37,157)	-
Lease liabilities	22	(1,928,288)	(330,995)
		<u>(34,926,896)</u>	<u>(29,355,801)</u>
Net current assets		<u>7,227,757</u>	<u>5,942,340</u>
Total assets less current liabilities		<u>20,883,994</u>	<u>13,099,433</u>
Non-current liabilities			
Lease liabilities		(5,315,913)	(1,436,006)
Provisions for liabilities			
Other provisions	24	(250,000)	(250,000)
Deferred tax liabilities	23	(972,292)	(672,803)
		<u>(1,222,292)</u>	<u>(922,803)</u>

The notes on pages 17 to 47 form an integral part of these financial statements.

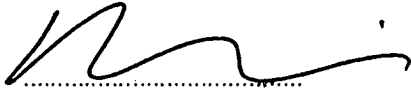
Advanced Innergy Solutions Ltd

(Registration number: 02405903)

Statement of Financial Position as at 30 September 2021

	Note	2021 £	2020 £
Net assets		<u>14,345,789</u>	<u>10,740,624</u>
Equity			
Called up share capital	26	150,000	150,000
Retained earnings	27	<u>14,195,789</u>	<u>10,590,624</u>
Total equity		<u>14,345,789</u>	<u>10,740,624</u>

The financial statements were approved and authorised for issue by the Board on 23-12-21 and signed on its behalf by:



A D Bennion
Director

Advanced Innergy Solutions Ltd

Statement of Changes in Equity for the Year Ended 30 September 2021

	Share capital £	Retained earnings £	Total £
At 1 October 2020	150,000	10,590,624	10,740,624
Profit and total comprehensive income for the year	-	3,605,165	3,605,165
At 30 September 2021	<u>150,000</u>	<u>14,195,789</u>	<u>14,345,789</u>
	Share capital £	Retained earnings £	Total £
At 1 October 2019	150,000	12,086,827	12,236,827
Loss and total comprehensive income for the year	-	(1,496,203)	(1,496,203)
At 30 September 2020	<u>150,000</u>	<u>10,590,624</u>	<u>10,740,624</u>

The notes on pages 17 to 47 form an integral part of these financial statements.

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

1 General information

The company is a private company limited by shares incorporated in England and Wales.

The address of its registered office is:
Unit E Quedgeley West Business Park
Bristol Road
Gloucester
GL2 4PA

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

2 Accounting policies

Basis of preparation of financial statements

These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 - 'The Reduced Disclosure Framework' (FRS 101).

In preparing these financial statements the company applies the recognition and measurement requirements of International Financial Reporting Standards as adopted by the EU ('IFRS'), amended where necessary in order to comply with Companies Act 2006.

The financial statements have been prepared on a historical cost basis. The principal accounting policies adopted are set out below.

The financial statements are presented in Sterling (£) which is also the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions from the requirements of IFRS:

- Presentation of a Statement of Cash Flows and related notes;
- Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- Revenue disclosures, including:
 - o disaggregated and total revenue from contracts with customers;
 - o explanation of significant changes in contract assets and liabilities;
 - o aggregate transaction price allocated to unsatisfied performance obligations and when revenue is expected to be recognised;

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

- Financial instrument disclosures, including:
 - o carrying amounts and fair values of financial instruments by category and information about the nature and extent of risks arising on financial instruments;
 - o income, expenses, gains and losses on financial instruments;
 - o details of credit losses, collateral, loan defaults or breaches;
- Information about the nature and financial effect of business combinations in the current and subsequent period, including:
 - o identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
 - o reason for the business combination and how control was obtained;
 - o information about goodwill or a bargain purchase;
 - o contingent consideration and indemnification assets;
 - o acquired receivables and acquired contingent liabilities;
 - o transactions recognised separately from the business combination;
 - o valuation of non-controlling interests measured at fair value;
 - o business combinations achieved in stages;
 - o revenue and result as if the acquisition occurred at the start of the year;
- Lessee maturity analysis of lease liabilities;
- Comparative narrative information that continues to be relevant to the current period;
- Comparative period reconciliations for the carrying amounts of property, plant and equipment and intangible assets;
- Disclosure of key management personnel compensation;
- Related party disclosures for transactions with the parent or wholly owned members of the group; and
- Disclosure of the objectives, policies and processes for managing capital.

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

Group accounts not prepared

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group. Where required, equivalent disclosures are given in the group accounts of Advanced Innergy Holdings Ltd (formerly Advanced Insulation Holdings Limited).

Advanced Innergy Solutions Ltd is a wholly owned subsidiary of Advanced Innergy Ltd (formerly Advanced Insulation Limited). The results of Advanced Innergy Solutions Ltd are included in the consolidated financial statements of the ultimate parent company, Advanced Innergy Holdings Ltd, which are available from Unit E, Quedgeley West Business Park, Bristol Road, Gloucester, Bristol, United Kingdom, GL2 4PA.

Going concern

The directors of Advanced Innergy Holdings Ltd, ("The Group") have assessed the application of the going concern assumption at a group level. As a trading company in the Group, the Company assessment of going concern must be considered in the context of the wider group.

The Group meets its day-to-day working capital requirements with its available retained cash supported by a rolling contract finance line provided by the Group's bankers.

The directors have given consideration to the unprecedented impact of COVID-19 on the business with an immediate review of trade and plans to preserve the solvency of the business. The directors have prepared an extensive three-year forecast, at Group level, which takes into account the current market environment, as discussed in the Director's Report, and this shows that the Group shall be able to operate within its available cash and working capital facilities. The primary funders of the Group have expressed their on-going support.

The Group continues to trade satisfactorily with no significant adverse cash flow impact. The Group also has cash reserves to draw on if required. The directors have utilised access to grant income under the Coronavirus Job Retention Scheme in the year. The directors will continue to review the business position and react accordingly. The directors, having taken these steps, believe that the business has sufficient prospect of trade and cash reserves to continue to trade for a period of no less than twelve months from the approval of these accounts.

In view of the above the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

Revenue

Turnover is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each arrangement with a customer, the company: identifies whether the arrangement meets the definition of a contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each performance obligation to be delivered; and recognises turnover when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

A sale of goods is recognised when the company has transferred to the buyer the significant risk and rewards of ownership, generally when the customer has taken undisputed delivery of the goods.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts or any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby turnover will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative turnover recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Whenever applicable, the company applies the variable consideration allocation exception to recognise turnover for variable amount related to a distinct service that forms part of a single performance obligation.

Contract accounting

The company enters into long term contracts with customers that are typically treated as a single performance obligation to cover the design, manufacture and installation of the company's products. A percentage-based cost of completion approach is applied as turnover is recognised over time. Warranty costs are identified as separate performance obligations only in the very rare circumstances that the warranty term varies significantly from the prevailing standard within the industry.

The company's trade receivables are all related to the value of revenue receivable from contracts with customers.

Sale of good at a point in time

A sale of goods is recognised when the buyer obtains control of the goods from the company. This is generally when the customer has taken undisputed delivery of the goods.

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

Interest income

Interest turnover is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

Intangible assets other than goodwill

Initial recognition

Expenditure on the research phase of projects to develop new products or internally developed software is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- is technically and commercially feasible
- the company intends to and has sufficient resources to complete the project
- the company has the ability to use or sell the developed goods
- the software will generate probable future economic benefit

Directly attributable costs include employee costs incurred along with an appropriate portion of relevant overheads and borrowing costs. Development costs not meeting these criteria for capitalisation are expensed as incurred.

Subsequent measurement

All finite-lived intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. Where an indicator of impairment exists they are subject to impairment testing.

The following useful lives are applied:

Development costs	15 years straight line
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Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

Property, plant and equipment

Tangible fixed assets are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items and the costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the company derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised within administrative expenses in the income statement.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	On a straight line basis over the length of the lease
Fixtures and fittings	4 years straight line
Plant and equipment	4 - 10 years straight line

Assets in the course of construction are 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.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

Right-of-use assets

A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the company.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation method is included under leasehold land and buildings above.

Non-current investments

Investment in subsidiary undertakings are stated at cost less any applicable provision for impairment. Cost includes transaction costs directly attributable to the acquisition.

Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

Inventories

Raw materials and work in progress are stated at the lower of cost measured using the "average cost method" and net realisable value after making due allowance for obsolete and slow-moving inventory.

Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased stock are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Other than the financial assets in a qualifying hedging relationship, the company's accounting policy for each category is as follows:

Financial assets at fair value through profit or loss

This category comprises only in-the-money derivatives. These are carried in the Statement of Financial Position at fair value with changes in fair value recognised in the Income Statement.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost 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.

This category comprises only of loans and debtors which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

Impairment of financial assets

The company recognises an allowance for expected credit losses (ECLs), for all debt instruments not held at fair value through the income statement. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the economic environment.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Financial liabilities

The company classifies its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was acquired.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of selling or repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

The category comprises only out-of-the money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement.

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

At amortised cost

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable. Tax is recognised in the profit or loss account, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Provisions

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an overflow will be required in settlement is determined by considering the class of obligations as a whole. Where the time value of money is material provisions are discounted to their present values, using a pretax discount rate that reflects the current market assessment of the time value of money and the risks specific to the liability.

Any reimbursement that is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Prepaid contributions are recognised as an asset. Unpaid contributions are reflected as a liability.

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

Leases

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

Lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for lease of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

Grants

Government grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants received in the year are towards staff wages under the job retention scheme during COVID-19. The grant is recognised as other operating income over the period necessary to match with the related wage expense.

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

Foreign exchange

Foreign currency transactions are translated into the functional currency of the entity using the exchange rates prevailing at the dates of the transactions (spot exchange), or where a transaction has been hedged, the hedged rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'interest receivable and similar income' or 'interest payable and similar expenses' respectively. All other foreign exchange gains and losses are presented in the income statement within 'administrative expenses'.

Finance costs

Finance costs are charged to the income statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Borrowing costs

All borrowing costs are recognised in the Income Statement in the year in which they are incurred.

3 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

Critical judgements

Recognition of service and construction contract revenues

Revenue recognised overtime is calculated using a percentage of cost completion method. This includes managements best estimate of cost to complete open contracts and projects at the year end. A percentage based cost of completion model is used by management as the best estimate of progress of the contract as it is delivered to the end customer.

Capitalisation of internally developed assets

A judgement is applied by management in distinguishing the research and development phases of a new internally developed asset and determining whether the recognition requirements for the capitalisation of development costs are met. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired (see Intangible Assets accounting policy).

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or nonstrategic assets that have been abandoned or sold will be written off or written down.

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Discount factor used in lease accounting

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, or is not applicable, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset or similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the company where possible, uses recent third-party financing received by the individual lessee.

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

4 Revenue

An analysis of the company's revenue is as follows:

	2021 £	2020 £
Revenue analysed by class of business		
Sale of goods	3,852,781	2,975,873
Contract revenue recognised as revenue	<u>30,304,918</u>	<u>24,815,285</u>
	<u>34,157,699</u>	<u>27,791,158</u>
	2021	2020
	£	£
Other revenue		
Income from shares in group undertakings	375,062	-
Interest income	63,346	54,712
Grants received	269,554	409,169
Sundry income	<u>354,774</u>	<u>11,591</u>
	<u>1,062,736</u>	<u>475,472</u>
	2021	2020
	£	£
Revenue analysed by geographical market		
United Kingdom	8,390,303	5,761,910
Rest of Europe	3,249,978	5,345,260
Rest of World	<u>22,517,417</u>	<u>16,683,988</u>
	<u>34,157,698</u>	<u>27,791,158</u>

Grant income represents amounts received from the Government in respect of the Coronavirus Job Retention Scheme (CJRS) during Covid-19.

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

5 Exceptional items

	2021	2020
	£	£
Dilapidations provision	-	250,000
Impairment costs	-	3,907,138
	-	4,157,138
	-	4,157,138

The directors undertook a more in depth impairment review in the prior year and as a result impaired some goodwill, stock and intangible assets which tie in with the Group's transition to new energy.

6 Employees

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

	2021	2020
	No.	No.
Administration	47	46
Production	142	147
Management	4	3
	193	196
	193	196

Staff costs were as follows:

	2021	2020
	£	£
Wages and salaries	8,893,396	8,099,701
Social security costs	792,074	772,224
Pension costs	535,876	569,652
	10,221,346	9,441,577
	10,221,346	9,441,577

During the year no director received any emoluments (2020: £nil)

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

7 Operating profit

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

	2021	2020
	£	£
Research costs	85,491	134,470
Depreciation of property, plant and equipment	1,544,618	1,112,004
Amortisation of intangible assets	25,422	28,362
Foreign exchange gains	(331,976)	(49,215)
Government grants	(269,554)	(409,169)
Cost of inventories recognised as an expense	2,923,993	3,988,031
Loss on disposal of property, plant and equipment	858	-

8 Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the company:

	2021	2020
	£	£
Audit of the financial statements	2,594	2,560
	<u>2,594</u>	<u>2,560</u>

Auditor's remuneration relates to the audit fee for the Norwegian Branch. The audit fee for this company is borne by the company's immediate parent, Advanced Innergy Ltd.

9 Investment income

	2021	2020
	£	£
Income from shares in group undertakings	375,062	-
Other interest receivable	63,346	54,712
	<u>438,408</u>	<u>54,712</u>

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

10 Finance costs

	2021 £	2020 £
Interest on financial liabilities measured at amortised cost:		
Bank interest payable	92,321	6,383
Other loan interest payable	25,653	9,659
	<u>117,974</u>	<u>16,042</u>
	2021 £	2020 £
Interest on other financial liabilities:		
Interest on lease liabilities	<u>212,432</u>	<u>32,075</u>

11 Other gains and losses

	2021 £	2020 £
Change in the value of derivatives	<u>(653,783)</u>	<u>1,321,570</u>

Change in the value of derivatives includes the movement on the derivative financial instrument and any subsequent gains/losses on non deliverable hedging instruments.

12 Taxation

	2021 £	2020 £
Current tax		
UK corporation tax on profits for the current period	(38,730)	(152,632)
Adjustment in respect of prior periods	(494,031)	21,365
Total UK current tax	(532,761)	(131,267)
Foreign taxes and reliefs	55,565	85,702
	<u>(477,196)</u>	<u>(45,565)</u>

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

	2021	2020
	£	£
Deferred tax		
Origination and reversal of timing differences	220,810	(130,028)
Transfers	(133,785)	-
Deferred tax adjustment relating to previous years	-	326,864
Effect of tax rate change on opening balance	212,464	-
	<u>299,489</u>	<u>196,836</u>
Total tax (credit) / charge	<u>(177,707)</u>	<u>151,271</u>

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

Factors affecting tax charge for the year

The tax assessed for the year differ from the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	<u>3,427,458</u>	<u>(1,344,932)</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	651,217	(255,537)
Expenses not deductible in determining taxable profit	39,797	35,754
Income not taxable	(29,620)	(52,880)
Other tax adjustments, reliefs and transfers	(112,066)	-
Additional deduction for R&D	(421,791)	(321,660)
Adjustment in respect of prior years	-	21,365
Research and development tax credit	12,020	47,369
Group income	(71,262)	-
Deferred tax adjustments in respect of prior years	-	1,213
Fixed asset differences	-	(193,179)
Adjustments to tax charge in respect of previous periods	(556,315)	-
Adjustments to tax charge in respect of previous periods - deferred tax	433,127	-
Transfers - deferred tax	133,785	325,651
Remeasurement of deferred tax for changes in tax rates	233,350	120,894
Foreign tax credits	-	85,702
Other differences	-	(52,489)
Deferred tax not recognised	<u>(489,949)</u>	<u>389,068</u>
Total tax charge for the year	<u>(177,707)</u>	<u>151,271</u>

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

Deferred taxes at the balance sheet date have been measured using the tax rates enacted as at the balance sheet date. Deferred tax as at 30 September 2021 and 2020 was measured at a rate of 19%.

The Finance Act 2016 was enacted so as to reduce the corporation tax rate from 19% to 17% with effect from 1 April 2020. These rates have been used to measure deferred tax assets and liabilities where applicable. In March 2020 the Chancellor announced that the tax rate would remain at 19%. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

13 Intangible assets

	Goodwill £	Development costs £	Total £
Cost			
At 1 October 2020	984,217	4,353,465	5,337,682
Additions	-	806,118	806,118
At 30 September 2021	<u>984,217</u>	<u>5,159,583</u>	<u>6,143,800</u>
Amortisation			
At 1 October 2020	984,217	2,050,977	3,035,194
Amortisation charge	-	25,422	25,422
At 30 September 2021	<u>984,217</u>	<u>2,076,399</u>	<u>3,060,616</u>
Net book value			
At 30 September 2021	<u>-</u>	<u>3,083,184</u>	<u>3,083,184</u>
At 30 September 2020	<u>-</u>	<u>2,302,488</u>	<u>2,302,488</u>

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

Goodwill impairment testing

The recoverable amount is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a three year period, and a discount rate of 10%.

The cash flow projections have assumed growth in the first 3 years followed by a 2% per annum growth which is believed to be lower than the projected long-term average growth rate for the sector. The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying value to exceed the aggregate recoverable amount.

Amortisation is recorded within administrative expenses in the income statement.

14 Property, plant and equipment

	Leasehold land and buildings £	Fixtures and fittings £	Assets under construction £	Plant and machinery £	Total £
Cost					
At 1 October 2020	591,226	268,645	1,223,342	8,136,414	10,219,627
Additions	3,564,982	765,200	1,891,110	955,372	7,176,664
Disposals	-	-	-	(2,620)	(2,620)
At 30 September 2021	<u>4,156,208</u>	<u>1,033,845</u>	<u>3,114,452</u>	<u>9,089,166</u>	<u>17,393,671</u>
Depreciation					
At 1 October 2020	81,222	247,657	-	5,184,026	5,512,905
Charge for the year	489,326	45,814	-	1,009,478	1,544,618
Eliminated on disposal	-	-	-	(2,620)	(2,620)
At 30 September 2021	<u>570,548</u>	<u>293,471</u>	<u>-</u>	<u>6,190,884</u>	<u>7,054,903</u>
Net book value					
At 30 September 2021	<u>3,585,660</u>	<u>740,374</u>	<u>3,114,452</u>	<u>2,898,282</u>	<u>10,338,768</u>
At 30 September 2020	<u>510,004</u>	<u>20,988</u>	<u>1,223,342</u>	<u>2,952,388</u>	<u>4,706,722</u>

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

Property, plant and equipment includes right-of-use assets, as follows:

	2021 £	2020 £
Net values		
Property	3,585,660	510,004
Plant and equipment	622,760	1,385,522
Assets under construction	842,211	1,223,342
	<u>5,050,631</u>	<u>3,118,868</u>
Depreciation charge for the year		
Property	489,326	81,222
Plant and equipment	136,428	304,526
Assets under construction	-	-
	<u>625,754</u>	<u>385,748</u>

The right-of-use assets disclosed above include assets recognised on the adoption of IFRS 16 during the prior year and assets held under finance leases or hire purchase contracts.

15 Non-current investments

	Shares in group undertakings £
Cost or valuation	
At 1 October 2020	147,883
Additions	87,260
Disposals	(858)
At 30 September 2021	<u>234,285</u>
Net book value	
At 30 September 2021	<u>234,285</u>
At 30 September 2020	<u>147,883</u>

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

In the year, the company wrote down the value of its investment in Bardot Ventures following the winding up of the business. The company also acquired additional share capital in Advanced Insulation do Brasil Ltda.

16 Subsidiaries

Details of the company's subsidiaries at 30 September 2021 are as follows:

Name of undertaking	Registered office	Nature of business	Holding 2021	2020
Advanced Insulation Systems do Brazil Ltda	Rodovia SP 107, km 29 - Borda da Mata, Jaguariúna - SP, Caixa Postal 255, 13919-899, Brazil	Manufacturing	69%	49%
C-Ling Limited	Unit E Quedgeley West Business Park, Bristol Road, Gloucester, GL2 4PA	Development	75%	75%
AIS Bardot	375 avenue du Mistral, Bât C, ZI Athélia 4, 13600 La Ciotat, France	Outsourcing	100%	100%

The interest in all subsidiaries arise from ownership of ordinary shares only.

17 Inventories

	2021 £	2020 £
Raw materials	3,701,172	2,005,611
Work in progress	327,923	309,171
	<u>4,029,095</u>	<u>2,314,782</u>

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

18 Trade and other receivables

	2021	2020
	£	£
Trade receivables	6,689,365	2,983,623
Expected credit loss	<u>(22,567)</u>	<u>(37,164)</u>
	6,666,798	2,946,459
Amounts owed by fellow group undertakings	20,780,704	16,959,968
Other debtors	190,079	-
Prepayments	325,105	278,583
VAT	-	134,177
Contract assets	<u>6,589,562</u>	<u>8,412,757</u>
	<u>34,552,248</u>	<u>28,731,944</u>

Amounts due from fellow group companies are repayable on demand and interest free.

19 Loans and borrowings

	2021	2020
	£	£
Unsecured borrowings at amortised cost		
Bank loans and overdrafts	<u>3,000,000</u>	<u>5,402,739</u>

Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2021	2020
	£	£
Current liabilities	<u>3,000,000</u>	<u>5,402,739</u>

During the year the company entered into a number of contract financing arrangements with Santander UK Plc. The annual interest charge ranges from 1.75% to 3.11%

The bank overdrafts balance of £nil (2020: £1,822,852) was repayable on demand and subject to interest at 2.5% per annum above the banks base lending rate. All loans are secured by fixed and floating charges over Unit E, Quedgeley West Business Park, Bristol Road, Gloucester, Bristol, GL2 4PA.

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

20 Trade and other payables

	2021 £	2020 £
Trade creditors	5,415,287	3,215,923
Amounts owed to fellow group undertakings	20,097,736	14,612,155
Other payables	149,110	190,184
Accruals and deferred income	2,146,510	2,845,475
Contract liabilities	1,873,893	1,698,137
VAT	36,978	-
	<u>29,719,514</u>	<u>22,561,874</u>

Amounts due to fellow group companies are repayable on demand and interest free.

A fixed and floating charge over the company's assets is held by Santander UK Plc, Growth Capital Partners and Management in respect of their loan notes with the Group. The charge holders rank in the following order of priority, with the first being the primary charge holder; Santander UK Plc, Growth Capital Partners and Management.

21 Fair value of financial instruments

The directors consider that the carrying amounts of financial instruments carried at amortised cost in the financial statements approximate to their fair values.

	2021 £	2020 £
Financial (liabilities) / assets		
Financial (liabilities) / assets measured at fair value through profit or loss	<u>(37,157)</u>	<u>1,150,415</u>
	<u>(37,157)</u>	<u>1,150,415</u>

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

Determining the fair value of financial instruments

The company enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are foreign exchange forward contracts and foreign exchange swaps. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counter parties, foreign exchange spot and forward rates and forward rate curves. The company has elected not to hedge account for these derivatives.

22 Lease liabilities

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2021	2020
	£	£
Current liabilities	1,928,288	330,995
Non-current liabilities	<u>5,315,913</u>	<u>1,436,006</u>
	<u>7,244,201</u>	<u>1,767,001</u>
	2021	2020
	£	£
Interest on lease liabilities	<u>212,432</u>	<u>32,075</u>

Liabilities under finance lease and hire purchase agreements are secured on the assets to which they relate.

Other leasing information is included in note 29 and note 2.

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

23 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Fixed asset temporary differences	Other timing differences	Total
	£	£	£
Deferred tax movements in current year			
At 1 October 2020	680,957	(8,154)	672,803
Credit to profit or loss	346,677	(47,188)	299,489
At 30 September 2021	<u>1,027,634</u>	<u>(55,342)</u>	<u>972,292</u>
	Fixed asset temporary differences	Other timing differences	Total
	£	£	£
Deferred tax movements in prior year			
At 1 October 2019	810,015	(8,397)	801,618
Credit to profit or loss	196,593	243	196,836
Transfer to Advanced Innergy Ltd	<u>(325,651)</u>	<u>-</u>	<u>(325,651)</u>
At 30 September 2020	<u>680,957</u>	<u>(8,154)</u>	<u>672,803</u>

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2021	2020
	£	£
Deferred tax liabilities	<u>972,292</u>	<u>672,803</u>

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

24 Provisions

	2021	2020
	£	£
Dilapidations	<u>250,000</u>	<u>250,000</u>

25 Retirement benefit schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to the income statement in respect of defined contribution schemes was £627,215 (2020: £569,652). At year end, £61,578 (2020: £45,820) remains unpaid and included within other payables.

26 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	No.	£	No.	£
Ordinary of £1 each	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>

The company's ordinary shares each carry the right to one vote at general meetings of the company and rank equally on distribution of dividends.

27 Reserves

Profit and loss reserves

The profit and loss reserves represent the cumulative profit and loss net of distributions made to owners.

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

28 Contingent liabilities

The company has given performance bonds as at the year end of £4,925,930 (2020 - £2,249,036).

29 Other leasing information

Operating leases under IAS 17

Set out below are future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities:

	2021	2020
	£	£
Within 1 year	9,031	25,107
Between 2 and 5 years	29,703	24,412
	<u>38,734</u>	<u>49,519</u>

30 Capital commitments

At 30 September 2021 the company had capital commitments contracted for but not provided in the financial statements of £604,761 (2020: £967,024).

31 Related party transactions

FRS 101 does not require disclosure of transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is a party to the transaction is wholly owned by a member of that group. The company has taken advantage of this exemption from disclosing these transactions. The transactions below are with non wholly owned companies in the group.

As at the year end there were amounts outstanding from the company, to AIS Covertherm Ltd (formerly Covertherm Limited), of £737,827 (2020: -£144,898). The movements in the intercompany loan account balances between the years ended 30 September 2020 and 2021, of £882,725 (30 September 2019 to 30 September 2020: £10,109) relate to intercompany invoices and the transfer of funds between AIS Covertherm Ltd and the company.

As at the year end there were amounts outstanding to the company, from AI Korea Ltd of £228,853 (2020: £268,479). The movements in the intercompany loan account balances between the years ended 30 September 2020 and 2021, of £497,332 (30 September 2019 to 30 September 2020: £41,383) relate to intercompany invoices and the transfer of funds between AI Korea Ltd and the group.

Advanced Innergy Solutions Ltd

Notes to the Financial Statements for the Year Ended 30 September 2021

As at the year end there were amounts outstanding from AI Services Angola Lda, of £3,544,903 (2020: £3,126,636). The movements in the intercompany loan account balances between the years ended 30 September 2020 and 2021, of £418,267 (30 September 2019 to 30 September 2020: £99,590) relate to intercompany invoices and the transfer of funds between AI Services Angola Lda and the company.

As at the year end there were amounts outstanding to the company, from C-Ling Limited, of £1,013,388 (2020: £842,249). The movements in the Intercompany loan account balances between the years ended 30 September 2020 and 2021, of £171,139 (30 September 2019 to 30 September 2020: £175,972) relate to intercompany invoices and the transfer of funds between C-Ling Limited and the company.

As at the year end there were amounts outstanding to the company, from Advanced Insulation Systems do Brazil Ltda, of £143,283 (2020: £862,325). The movements in the intercompany loan account balances between the years ended 30 September 2020 and 2021, of £719,042 (30 September 2019 to 30 September 2020: £184,631) relate to intercompany invoices and the transfer of funds between Advanced Insulation Systems do Brazil Ltda and the company.

32 Controlling party

The immediate parent undertaking by virtue of its controlling holding in the share capital of the company is Advanced Innergy Ltd.

The ultimate parent undertaking is considered by the directors to be Advanced Innergy Holdings Ltd, which is incorporated in the United Kingdom. Its registered address is Unit E Quedgeley West Business Park, Bristol Road, Gloucester, GL2 4PA.

There is no ultimate controlling party.