

**MB Air Systems Limited**

**Annual Report**

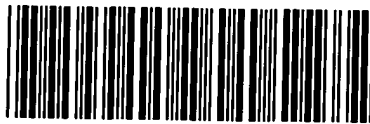
**Financial Year Ended 31 December 2021**

COMPANIES HOUSE

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COMPANIES HOUSE

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**DIRECTORS AND OTHER INFORMATION**

**Board of Directors**

G Rutherford-Spence  
F Roux

**Solicitors**

Ledingham Chalmers LLP  
Johnstone House  
52-54 Rose Street  
Aberdeen  
AB10 1HA

**Secretary and registered office**

M Grummett  
149 Glasgow Road  
Wishaw, Lanarkshire  
ML2 7QJ  
United Kingdom

**Bankers**

JP Morgan Chase Bank NA  
25 Bank Street  
Canary Wharf  
London E14 5JP

**Registered Number: SC210643**

Clydesdale Bank  
30 St. Vincent Place  
Glasgow  
G1 2HL

**Independent Auditors**

BDO LLP  
2 Atlantic Square  
31 York Street  
Glasgow  
G2 8NJ

## **STRATEGIC REPORT**

The directors present their strategic report on the company for the year ended 31 December 2021.

### **Overview of performance and future outlook**

The Company specialises in the provision of engineering solutions in the compressed air, offshore & industrial lifting, pneumatics, tools and product finishing systems markets.

The scope includes system assessments & energy audits, design & configurations, utilising equipment from our long standing manufacturing partners, and the provision of preventative maintenance management programmes tailored to address the unmet needs of our customers.

Our partners whose equipment we integrate in our designs are, Ingersoll Rand (IR), Parker, IMI Precision Engineering, Gema and Carlisle Group.

The Company is a wholly owned subsidiary of Ingersoll-Rand Industrial BV, a company incorporated in the Netherlands.

The overall performance of our business resulted in a net profit before tax position of £212k (£551k 2020) generated from a turnover of £15.5m (£14.2m 2020). This net profit is after incurring a cost of £347k relating to an equity grant award for employees as part of Ingersoll Rand's Ownership Works Grant.

Ownership is part of Ingersoll Rand's values and culture, and an integral benefit of the employee experience. This is cascaded to every level of the organisation and is a key feature of our Companies values.

We believe that our employees are our single greatest competitive advantage. When our employees think and act like owners, embrace their shareholder status and keep their shares long-term, they become great benefactors and contributors of our compounding growth. That is the power of ownership and we see it present in our everyday.

The increase in revenue and profit (adjusted for the cost of the equity grant award) achieved was despite supply chain constraints and inflationary pressures, demonstrating the commitment of our employees and the ability of our global teams through our parent, Ingersoll Rand, to deliver strong operational execution. Our Company's teams are focussed on operational excellence and we embrace Ingersoll Rand's IRX strategy to ensure that we are regularly challenging ourselves to make our customers lives better by delivering fit for purpose, innovative solutions to industry that enable them to lean on us as a key supplier.

A key performance matrix, fundamental to the Company's long-term business prosperity is the strength of our maintenance contracts associated with the provision of the whole goods that we supply. These contracts continue to grow and develop and gradually we are adding further value to the delivery of these contracts through remote conditioning monitoring, driving proactive, sustainable, data driven improvements and efficiencies.

The Company's whole goods supply volumes also improved relative to previous year with penetration of new industry verticals with fit for purpose product specific to the customers' application and associated budget. Augmenting our whole good supply is our specialist projects which also developed positively through the year delivering customised solutions to industry and developing future opportunities.

The Company continues to assess the impact on its Principal Risks and Going Concern in light of the supply chain constraints and inflationary pressures. The Directors have assessed the liquidity of the Company, existing funding available to the Company and support available from fellow group companies.

Based on these assessments the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements and there is no significant risk to the balance sheet as of 31 December 2021.

**STRATEGIC REPORT - CONTINUED**

The Company has not been significantly impacted by COVID post December 2021. The Directors are not anticipating a future significant impact on our business from COVID.

Looking ahead, as well as new opportunities we see persisting challenging times too, however our strong engineering and service led business model will facilitate our continued progress in this ever changing world. Our ownership mind-set, entrepreneurial spirit and deep desire to succeed coupled with the strength of our product portfolio and support of our Principals provides an excellent platform for to realise new revenue streams and succeed in our current markets.

**Principal and financial risks and uncertainties**

The Company's operations expose it to a variety of financial risks as discussed below. These risks are managed and monitored by the Management Board directly.

*Key Supplier Agreements*

The company is exposed to risks relating to our key supplier agreements which can be terminated by both parties at a relatively short period of notice. These agreements are significant assets to the company but could also be considered a risk if not managed closely. We ensure risk is minimised by maintaining close communication with our principal suppliers.

*Liquidity Risk*

Operations of the company are currently financed by a mixture of shareholders' funds and cash generated by the business. Due to considerable capital commitments and an increase in large project work, cash flow is monitored very closely. Annual and monthly cash flow projections are prepared and reviewed regularly to assess on-going funding requirements of the Company.

*Pricing Risk*

Pricing risk is linked to our principal suppliers and their annual price increases, which we would endeavour to pass on to our customers if justifiable.

*Credit Risk*

Trade debtors are a principal financial asset for the Company and carry credit risk. Credit checks and close involvement of senior management mitigate the Company's exposure to the risk of bad debt exposure.

**Financial Key Performance Indicators**

The directors consider the key performance indicators ("KPI's) to be those that reflect the underlying trading performance, stability and liquidity of the Company. In the current period the directors consider that turnover, operating profit, cash movement and net worth (total net assets) provide the most representative measures of the Company's performance.

On behalf of the Board



**G Rutherford-Spence**  
Director

Date: 23 December 2022

## **DIRECTORS' REPORT**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2021.

### **Results of the year**

Turnover for the year amounted to £15.5m (2020: £14.2m). The profit after taxation was £220k (2020: £372k) which was transferred to reserves.

### **Dividends**

There was no dividend paid in the year (2020: nil).

### **Future developments**

There were no significant future developments to report other than those disclosed in the strategic report.

### **Directors**

The persons shown below were directors of the company during the financial year ended 31 December 2021 and up to the date of this report:

G Rutherford-Spence  
F Roux

### **Charitable and political donations**

Charitable donations during the year amounted to £1k (2019: £2k). No donations were made for political purposes (2019 £Nil).

### **Research and development**

The company did not carry out any research and development during the year.

### **Post balance sheet events**

There were no significant post balance sheet events.

### **Statement of disclosure of information to auditors**

The directors, having made appropriate enquiries, state that:

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each director has taken all the steps that he/she ought to have taken as a director to make him/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

**DIRECTORS' REPORT - CONTINUED**

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

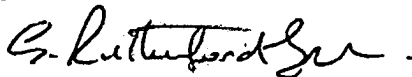
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

**Statutory Auditors**

BDO LLP was appointed as auditor during the year and are deemed to be reappointed under the Companies Act 2006, s. 487(2).

**By order of the Board**



**G Rutherford-Spence**  
Director

**Date: 23 December 2022**

## INDEPENDENT AUDITOR'S REPORT

### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of MB Air Systems Limited ("the Company") for the year ended 31 December 2021 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

### 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

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.

### Conclusions relating to going concern

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

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

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

### Other information

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

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

INDEPENDENT AUDITOR'S REPORT - CONTINUED

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.

**Other Companies Act 2006 reporting**

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.

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; or

**Responsibilities of Directors**

As explained more fully in the Statement of directors' responsibilities, 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.

*Extent to which the audit was capable of detecting irregularities, including fraud*

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

INDEPENDENT AUDITOR'S REPORT - CONTINUED

of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatements due to fraud. Areas of identified risk were then tested substantively;
- assessing the design and implementation of the control environment to identify areas of material weakness to focus the design of our testing;
- determining whether the accounting policies and presentation adopted in the financial statements are in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice);
- identifying whether there are instances of potential bias in areas with significant degrees of judgement and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- addressing the risk of fraud through management override of controls by testing the appropriateness of a sample of journal entries and other adjustments; assessing whether the judgements made in accounting estimates are indicative of a potential bias; and evaluating the business rationale of significant transactions that are unusual or outside the normal course of business;
- identifying the fraud risk within each revenue stream. Focus was made on revenue year end cut-off procedures, the inclusion of revenue in the correct accounting periods, accrued and deferred income;
- vouching balances and reconciling items in key control account reconciliations to supporting documentation as at 31 December 2021; and
- carrying out detailed testing, on a sample basis, of transactions and balances agreeing to appropriate documentary evidence to verify the completeness, existence and accuracy of the reported financial statements.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:



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Mark McCluskey (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Glasgow, UK

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

28 December 2022

**STATEMENT OF COMPREHENSIVE INCOME**  
**Financial year ended 31 December 2021**

	Notes	2021 £'000	2020 £'000
Turnover	5	15,492	14,236
Cost of sales		<u>(9,429)</u>	<u>(8,811)</u>
<b>Gross profit</b>		<b>6,063</b>	<b>5,425</b>
Grant income	6	-	264
Administrative expenses		<u>(5,853)</u>	<u>(5,140)</u>
<b>Operating profit</b>	7	<b>210</b>	<b>549</b>
Interest receivable and similar income	9	2	2
Interest payable and similar expenses	9	-	-
<b>Net interest income</b>		<b>2</b>	<b>2</b>
<b>Profit before taxation</b>		<b>212</b>	<b>551</b>
Tax on profit	10	<u>8</u>	<u>(179)</u>
<b>Profit for the financial year</b>		<b><u>220</u></b>	<b><u>372</u></b>

There is no other comprehensive income for the year.

The notes on pages 13 to 28 are an integral part of these financial statements.

**BALANCE SHEET**  
As at 31 December 2021

	Notes	2021 £'000	2020 £'000
<b>Fixed assets</b>			
Tangible assets	11	<u>222</u>	<u>188</u>
		<u>222</u>	<u>188</u>
<b>Current assets</b>			
Stocks	12	1,774	1,927
Debtors – amounts falling due within one year	13	4,735	4,477
Cash and cash equivalents		69	77
		<u>6,578</u>	<u>6,481</u>
<b>Creditors - amounts falling due within one year</b>	14	<u>(4,225)</u>	<u>(4,169)</u>
<b>Net current assets</b>		<u>2,353</u>	<u>2,312</u>
<b>Total assets less current liabilities</b>		<u>2,575</u>	<u>2,500</u>
Deferred Tax	16	<u>77</u>	<u>(5)</u>
<b>Net assets</b>		<u>2,652</u>	<u>2,495</u>
<b>Capital and reserves</b>			
Called up share capital	18	75	75
Share premium account	18	227	227
Capital redemption reserve	18	350	350
Profit and loss account	18	2,000	1,843
<b>Total equity</b>		<u>2,652</u>	<u>2,495</u>

The notes on pages 13 to 28 are an integral part of these financial statements.

The financial statements were approved by the board of directors on 23 December 2022 and signed on its behalf by:



**G Rutherford-Spence**  
Director  
Registered No. SC210643

**STATEMENT OF CHANGES IN EQUITY**  
**Financial year ended 31 December 2021**

	Called-up share capital presented as equity £'000	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total Equity £'000
Balance at 1 January 2020	<u>75</u>	<u>227</u>	<u>350</u>	<u>1,455</u>	<u>2,107</u>
Profit for the year	-	-	-	372	372
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>372</u>	<u>372</u>
Dividend	-	-	-	-	-
Arising on Share Based Payments	-	-	-	16	16
<b>Total transactions recognised in equity</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16</u>	<u>16</u>
Balance at 31 December 2020	<u>75</u>	<u>227</u>	<u>350</u>	<u>1,843</u>	<u>2,495</u>
Balance at 1 January 2021	<u>75</u>	<u>227</u>	<u>350</u>	<u>1,843</u>	<u>2,495</u>
Profit for the year	-	-	-	220	220
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>220</u>	<u>220</u>
Dividends	-	-	-	-	-
Arising on Share Based Payments	-	-	-	(63)	(63)
<b>Total transactions recognised in equity</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 December 2021	<u>75</u>	<u>227</u>	<u>350</u>	<u>2,000</u>	<u>2,652</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 General information

The principal activity of the company is the provision of engineering solutions in the compressed air, offshore & industrial lifting, pneumatics, tools and product finishing systems markets.

The company is a private company limited by shares and domiciled in Scotland. The address of the registered office is 149 Glasgow Road, Wishaw, ML2 7QJ. The registered number is SC210643.

The company was a wholly owned subsidiary of Ingersoll-Rand Industrial BV, a company incorporated in the Netherlands, the address of the registered office is Produktieweg 10 Zoeterwoude, 2382 PB Netherlands.

### 2 Statement of compliance

The individual financial statements of MB Air Systems Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

### 3 Summary of accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss. The preparation of financial statements in conformity with FRS 102 requires the use of certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year. It also requires directors to exercise judgement in the process of applying the company's accounting policies. Critical accounting judgements and estimation uncertainty are disclosed in note 4.

#### (b) Going concern

The company meets its day-to-day working capital requirements through its existing cash-pool facility and cash generated from its trading operations. The company's forecasts and projections, taking account of potential changes in trading performance, show that the company should be able to operate within its existing financing structure. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

#### (c) Disclosure exemptions for qualifying entities under FRS102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

- (i) a reconciliation of the number of shares outstanding at the beginning and end of the period;
- (ii) the requirement to prepare a statement of cash flows;
- (iii) the non-disclosure of key management personnel compensation in total;
- (iv) certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

#### (d) Foreign currency

##### (i) Functional and presentation currency

The company's functional and presentation currency is the pound sterling, denominated by the symbol "£" and unless otherwise stated, the financial statements have been presented in thousands.

NOTES TO THE FINANCIAL STATEMENTS

3 Summary of significant accounting policies – continued

(ii) *Transactions and balances*

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

All foreign exchange gains and losses are presented in the statement of comprehensive income within 'Administrative expenses'.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable excluding discounts, rebates, value added tax and other sales taxes.

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the amount of revenue can be measured reliably; (c) it is probable that future economic benefits will flow to the entity and (d) when the specific criteria relating to each of the company's sales channels have been met, as described below:

(i) *Sale of goods*

The company sells a range of products in the UK market. Sale of goods is recognised when the title and the risks and rewards of ownership have substantially transferred to the customer. Both the persuasive evidence of a sales arrangement and fixed or determinable price criteria are deemed to be satisfied upon receipt of an executed and legally binding sales agreement or contract that clearly defines the terms and conditions of the transaction including the respective obligations of the parties. If the defined terms and conditions allow variability in all or a component of the price, turnover is not recognised until such time as that the price becomes fixed or determinable. At the point of sale, the company validates that existence of an enforceable claim that requires payment within a reasonable amount of time and assesses the collectability of that claim. If collectability is not deemed to be reasonably assured, then turnover recognition is deferred until such time that collectability becomes probable or cash is received.

(ii) *Provision of services*

Service turnover is recognised when earned. In some instances, customer acceptance provisions are included in sales arrangements to give the buyer the ability to ensure the service meets the criteria established in the order. In these instances, turnover recognition is deferred until the acceptance terms specified in the arrangement are fulfilled through customer acceptance or a demonstration that established criteria have been satisfied. If uncertainty exists about customer acceptance, turnover is not recognised until acceptance has occurred.

The company enters into maintenance and extended warranty contracts with customers. Turnover related to these services is recognised on a straight-line basis over the life of the contract, unless sufficient historical evidence indicates that the cost of providing these services is incurred on a basis other than straight-line. In these circumstances, turnover is recognised over the contract period in proportion to the costs expected to be incurred in performing the service. For maintenance contracts with planned and set maintenance events the revenue is recognised when the events take place with costs being expensed to match.

## NOTES TO THE FINANCIAL STATEMENTS

### 3 Summary of significant accounting policies – continued

#### (f) Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and a defined contribution pension plan.

##### (i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

##### (ii) Defined contribution pension plans

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid, the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

##### (iii) Annual bonus plan

The company operates an annual bonus plan for employees. An expense is recognised in the statement of comprehensive income when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

#### (g) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

##### (i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### (ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when 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 tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

NOTES TO THE FINANCIAL STATEMENTS

3 Summary of significant accounting policies – continued

(h) Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

(i) *Plant and machinery and fixtures and fittings*

Plant and machinery and fixtures and fittings are stated at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Depreciation and residual values*

Depreciation on assets is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	limited to period remaining on lease (up to 10 years)
Plant and machinery	between 4-10 years
Office Equipment	between 4-10 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

(iii) *Subsequent additions and major components*

Subsequent costs, including major inspections, are included in the assets' carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

(iv) *Derecognition*

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other operating (losses)/gains'.

(i) Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is based on the weighted average purchase price of stock on hand. Purchase price includes taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

At the end of each reporting period, inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is recognised, the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

3 Summary of significant accounting policies – continued

(j) Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(k) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

(l) Provisions and contingencies

(i) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(ii) Contingencies

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

(m) Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS**

**3 Summary of significant accounting policies – continued**

**(m) Financial Instruments – continued**

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**(ii) Financial liabilities**

Basic financial liabilities, including trade and other payables, and loans from fellow group companies that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**(iii) Offsetting**

Financial assets and liabilities are offset, and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**(n) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(o) Distribution to equity shareholders**

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

**(p) Grant Income**

Grants are accounted under the accruals model as permitted by FRS102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of Comprehensive Income at the same rate as the depreciation on the assets to which the grant relates.

Grants of a revenue nature are recognised in the income statement in the same period as the related expenditure.

**NOTES TO THE FINANCIAL STATEMENTS**

**3 Summary of significant accounting policies – continued**

**(q) Share-based payments**

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition. The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme). Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period. Where equity instruments are granted to persons other than employees, the profit and loss account is charged with the fair value of goods and services received.

**NOTES TO THE FINANCIAL STATEMENTS**

**4 Critical accounting judgements and estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determine whether any stock provision is necessary. Factors include a review of stock quantities against sales of stock over historic periods.
- Determine whether any bad debt provision is required, with debts provided for on a specific basis. Factors considered include customer payment history and agreed payment terms.
- Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

<b>5 Revenue</b>	<b>2021</b>	<b>2020</b>
	£'000	£'000

Analysis of turnover by category:

Sale of goods	8,455	7,783
Rendering of services	7,037	6,453
	15,492	14,236

All revenue is generated in the United Kingdom

**6 Grant income**

The Company received no government grants in 2021 (£264k 2020) relating to the Coronavirus Job Retention Scheme.

**Government grants**

Government grants (including those in relation to the Coronavirus Job Retention Scheme) are recognised on a systematic basis over the periods in which the entity recognises the related costs for which the grant is intended to compensate.

NOTES TO THE FINANCIAL STATEMENTS

<b>7 Operating profit</b>	<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
<i>Operating profit is stated after charging:</i>		
Wages and salaries	3,553	3,250
Social security costs	376	352
Other pension costs	176	172
Staff costs	<u>4,105</u>	<u>3,774</u>
	<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
Operating lease charges	497	486
Depreciation	52	57
Equity award grant to employees	347	16
Audit fees payable to the company's auditors	17	18
Other services	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

8 Employees and directors

**Employees**

The average monthly number of persons (including directors) employed by the company during the year was:

	2021 Number	2020 Number
By activity:		
Head Office	7	6
Sales staff	25	27
Service staff	53	51
	<u>85</u>	<u>84</u>

**Directors**

The directors' emoluments were as follows:

	2021 £'000	2020 £'000
Aggregate emoluments	<u>-</u>	<u>-</u>

Post-employment benefits are accruing for no directors £Nil (2019: no Directors £Nil) under a defined contribution scheme.

The directors are remunerated via other group entities and it is not possible to allocate a portion of their time for this company.

There was no compensation for loss office paid.

**Highest paid director**

The highest paid directors' emoluments were as follows:

2021 £'000	2020 £'000
-	-

Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes

Defined benefit pension scheme:

- Accrued pension at the end of the year

<u>-</u>	<u>-</u>
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NOTES TO THE FINANCIAL STATEMENTS

9 Net interest income	2021 £'000	2020 £'000
<b>(a) Interest receivable and similar income</b>		
Bank and intercompany interest received	<u>2</u>	<u>2</u>
<b>Total interest receivable and similar income</b>	<u>2</u>	<u>2</u>
<b>(b) Interest payable and similar expenses</b>		
Interest payable on overdrafts and bank loans	<u>-</u>	<u>-</u>
<b>Total interest payable and similar expenses</b>	<u>-</u>	<u>-</u>
<b>(c) Net interest income</b>		
Interest receivable and similar income	2	2
Interest payable and similar expenses	<u>-</u>	<u>-</u>
<b>Net interest income</b>	<u>2</u>	<u>2</u>

NOTES TO THE FINANCIAL STATEMENTS

10 Tax on profit	2021 £'000	2020 £'000
<b>(a) Tax expense included in profit or loss</b>		
Current tax:		
UK corporation tax on profit for the financial year	59	101
Adjustment in respect of prior years	15	84
Current tax expense for the financial year	<u>74</u>	<u>185</u>
Deferred tax:		
Origination and reversal of timing differences	(82)	-
Impact of change in tax rate	-	-
Adjustment in respect of prior years	-	(6)
Deferred tax (credit)/expense for the financial year	<u>(82)</u>	<u>(6)</u>
Tax on profit	<u>(8)</u>	<u>179</u>

**(b) Reconciliation of tax charge**

The tax assessed for the year is lower (2020: higher) than that which would result from the standard rate of corporation tax in the UK 19% (2020:19%) being applied to profit on ordinary activities. The differences are explained as follows:

	2021 £'000	2020 £'000
Profit before taxation	<u>208</u>	<u>551</u>
Profit multiplied by the standard rate of tax in the UK of 19% (2020: 19%)	40	105
<i>Effects of:</i>		
Expenses not deductible for tax purposes	5	-
Accelerated Capital Allowances & Timing Differences	-	4
Other adjustments	-	(8)
Adjustment to tax charge in respect of prior years	15	78
Share options	(68)	-
Tax (credit) / charge for the period	<u>(8)</u>	<u>179</u>

NOTES TO THE FINANCIAL STATEMENTS

11 Tangible assets	Plant and machinery £'000	Leasehold improvement £'000	Office Equipment £'000	Total £'000
<b>At 31 December 2020</b>				
Cost or deemed cost	767	-	159	926
Accumulated depreciation and impairment	(586)	-	(152)	(738)
<b>Net book amount</b>	<u>181</u>	<u>-</u>	<u>7</u>	<u>188</u>
<b>Financial year ended 31 December 2021</b>				
Opening net book amount	181	-	7	188
Additions	82	7	2	91
Disposals	(5)	-	-	(5)
Depreciation	(47)	(1)	(4)	(52)
<b>Closing net book amount</b>	<u>211</u>	<u>6</u>	<u>5</u>	<u>222</u>
<b>At 31 December 2021</b>				
Cost or deemed cost	818	7	161	986
Accumulated depreciation and impairment	(607)	(1)	(156)	(764)
<b>Net book amount</b>	<u>211</u>	<u>6</u>	<u>5</u>	<u>222</u>

12 Stocks	2021 £'000	2020 £'000
Work in progress (goods to be sold)	790	736
Finished goods and goods for resale	984	1,191
	<u>1,774</u>	<u>1,927</u>

13 Debtors – amounts falling due within one year	2021 £'000	2020 £'000
Trade Debtors	2,664	2,234
Amounts owed by group undertakings	1,938	2,093
Other debtors	17	17
Prepayments and accrued income	109	133
Corporation tax	7	-
	<u>4,735</u>	<u>4,477</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

14 Creditors - amounts falling due within one year	2021 £'000	2020 £'000
Trade creditors	878	905
Amounts owed to group undertakings	1,233	598
Corporation tax	-	24
Other taxation and social security	256	722
Other creditors	223	228
Accruals and deferred income	1,635	1,692
	<u>4,225</u>	<u>4,169</u>

Amounts due to group undertakings relate to intercompany trade payables and are payable in 60 days. During the prior period revenue was being recognised before maintenance events took place with appropriate costs being accrued. Given the planned and set nature of the maintenance events revenue is now being deferred until the events take place which resulted in a £753k reduction in accrued costs and equivalent increase in deferred income within the caption above.

15 Lease commitments

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

Payments due	2021 £'000	2020 £'000
Not later than one year	439	425
Later than one year and not later than five years	611	877
More than five years	-	-
	<u>1,050</u>	<u>1,302</u>

The company had no other off balance sheet arrangements.

16 Deferred Tax	2021 £'000	2020 £'000
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Deferred tax

The provision for deferred tax consists of the following deferred tax (liabilities):

Accelerated capital allowances	(1)	(5)
Short term timing differences	78	-
Total deferred tax asset / (liability)	<u>77</u>	<u>(5)</u>

It was announced in the budget on 3<sup>rd</sup> March 2021 the rate of corporation tax would be increased to 25% with effect from 1<sup>st</sup> April 2023. This change has not yet been substantively enacted. It would not be practical for the company to assess the impact on deferred taxes due to uncertainties around the expected date of reversal of the timing differences.

17 Post-employment benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £176k (2020: £172k). Contributions totalling £NIL (2020: £NIL) were payable to the fund at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

<b>18 Called up share capital and reserves</b>	2021	2020
	£	£
<b>Equity shares of £1 each</b>		
<b>Allotted and fully paid</b>		
75,000 ordinary shares of £1 each (2019: 75,000)	<u>75,000</u>	<u>75,000</u>

**Statement of comprehensive income**

Statement of comprehensive income – includes all current and prior period retained profits and losses.

**Share premium.**

Share premium account – includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

**Capital redemption reserve**

Capital redemption reserve - non-distributable reserve. Represents paid up share capital which has been repurchased by the Company and subsequently cancelled.

**Other reserves**

Called-up share capital – represents the nominal value of shares that have been issued.

**Share based payments**

RSU scheme - All employees working for the Company on 20/08/2020 and 22/12/2020 were granted a number of RSU shares proportional to their salary, 50% of those shares vested 1 year later and the remaining 50% will be vesting 1 year after that. The only condition for vesting is that the employee must remain employed at the vesting date. The value of share based payments expensed in 2021 is £347,000 (2020 - £16,000).

	Average fair unit price £ 2021	No. of shares 2021	Average fair unit price £ 2020	No. of shares 2020
Outstanding at the beginning of the year	25.32	20,747	25.32	-
Granted during the year	25.32	-	25.32	21,485
Forfeited during the year	25.32	1,772	25.32	738
Outstanding at 31 December	25.32	9,375	25.32	20,747
Vested at 31 December	25.32	9,600	25.32	-

**NOTES TO THE FINANCIAL STATEMENTS**

**19 Capital and other commitments**

At 31 December 2021 and 31 December 2020 there were no capital commitments

**20 Related Parties**

The company has taken advantage of the exemption with FRS 102 not to disclose transactions entered into by two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

**21 Controlling parties**

At this time the Company's ultimate parent undertaking and ultimate controlling party was Ingersoll Rand Inc., with its registered office at 800-A Beatty Street, Davidson, North Carolina 28036, USA, incorporated in the USA, and its results are included in the financial statements of that company. Ingersoll Rand Inc. is the smallest and the largest group into which the company is consolidated. The group financial statements of Ingersoll Rand Inc., are available online or on request from Gardener Denver International Limited, as its registered office; Springmill Street, Bradford BD5 7HW.

**22 Events after the reporting year**

No significant events after the reporting year.

**23 Approval of financial statements**

These financial statements were approved by the directors on 23 December 2022