

MB Air Systems Limited

Annual Report

Financial Year Ended 31 December 2020



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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

Mazars
100 Queen Street
Glasgow
G1 3DN

STRATEGIC REPORT

The directors present their strategic report on the company for the year ended 31 December 2020.

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 was a wholly owned subsidiary of Ingersoll-Rand UK Limited (formerly Ingersoll-Rand European Sales Limited), a company incorporated in the United Kingdom. As of 19 February 2020, the company became a wholly owned subsidiary of Ingersoll-Rand Industrial BV, a company incorporated in the Netherlands.

On 29 February 2020 Ingersoll-Rand plc completed its merger with Gardner Denver and changed its name to Ingersoll-Rand Inc.

COVID-19

In March 2020, a global pandemic was declared by the World Health Organization ("WHO") related to the rapidly growing outbreak of the novel coronavirus ("COVID-19").

The impact of COVID-19 pandemic on the global economy and the operating activities of the business has resulted in a climate of considerable uncertainty. The Company has assessed the impact on its Principal Risks and Going Concern in light of the COVID-19 pandemic and its potential impact. The Directors have assessed the liquidity of the Company, existing funding available to the Company and support available from fellow group companies.

On the basis of these assessments the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements, that the Company would not be impacted severely by COVID-19 and there is no significant risk to the balance sheet as of 31 December 2020.

While markets remained competitive the impact of the COVID-19 pandemic resulted in the company's turnover decreasing in the year to £14.2m from £17.2m in 2019, The Company's engineering skills, design, packaging and project management capabilities were significant factors in our success as well as continuing to operate a reduced service during the pandemic.

The service function, including preventative maintenance contracts, which are fundamental to the Company's long term business prosperity, performed well and maintained its level compared with the previous year.

The overall performance of our business resulted in a net profit before tax position of £551k (£1.2m 2019) generated from a turnover of £14.2m (£17.2m 2019).

Looking ahead, as well as new opportunities we see persisting challenging times too, however our strong engineering & service lead business model will facilitate our continued progress in this ever changing world. We believe we are well positioned to withstand the difficult times created by COVID-19 and with the vaccine rollout we are well positioned to take advantage of opportunities that are created as we come out of these challenging times.

Furthermore, through our strong Oil & Gas portfolio in both Compressed Air & Nitrogen system ATEX core competencies and Lifting, we believe that we are very well positioned to remain successful and competitive in a difficult economic environment.

STRATEGIC REPORT - continued

Through our robust infrastructure, unique competencies, built on years of investment in skills & knowledge, engineering, management, strong desire for success and aligned partnership with our Principals, we believe we have all the attributes necessary to maintain our market share and come out of this period.

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 (Jul 22, 2021 13:49 GMT+1)

G Rutherford-Spence
Director

Date: 22 July 2021

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 2020.

Results of the year

Turnover for the year amounted to £14.2 (2019: £17.2m). The profit after taxation was £330k (2019: £1,040k) which was transferred to reserves.

Dividends

There was no dividend paid in the year (2019: £2.7m).

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 2020 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

Mazars 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 (Jul 22, 2021 13:49 GMT+1)

G Rutherford-Spence
Director

Date: 22 July 2021

Independent auditor's report to the members of MB Air Systems Limited

Opinion

We have audited the financial statements of MB Air Systems Limited (the 'Company') for the year ended 31 December 2020 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 December 2020 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information 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.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 the financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, non-compliance with implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the Directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loss reserves, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the Directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit 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.

Craig Maxwell
Craig Maxwell (Jul 22, 2021 14:23 GMT+1)

Craig Maxwell (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

100 Queen Street

Glasgow

G1 3DN

Date 22 July 2021

Statement of Comprehensive Income
Financial year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Turnover	5	14,236	17,178
Cost of sales		(8,811)	(10,558)
Gross profit		5,425	6,620
Grant income	6	264	-
Administrative expenses		(5,140)	(5,462)
Operating profit	7	549	1,158
Interest receivable and similar income	9	2	9
Net interest income		2	9
Profit before taxation		551	1,167
Tax on profit	10	(200)	(127)
Profit for the financial year		351	1,040

There is no other comprehensive income for the year.

The notes on pages 13 to 26 are an integral part of these financial statements.

BALANCE SHEET
As at 31 December 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Tangible assets	11	<u>188</u>	<u>286</u>
		<u>188</u>	<u>286</u>
Current assets			
Stocks	12	1,927	2,179
Debtors – amounts falling due within one year	13	4,478	3,371
Cash and cash equivalents		<u>77</u>	<u>31</u>
		6,481	5,581
Creditors - amounts falling due within one year	14	<u>(4,149)</u>	<u>(3,749)</u>
Net current assets		<u>2,332</u>	<u>1,832</u>
Total assets less current liabilities		2,521	2,118
Deferred Tax	16	<u>(5)</u>	<u>(11)</u>
Net assets		<u>2,474</u>	<u>2,107</u>
Capital and reserves			
Called up share capital	18	75	75
Share premium account	18	227	227
Capital redemption reserve	18	350	350
Profit and loss account	18	<u>1,822</u>	<u>1,455</u>
Total equity		<u>2,474</u>	<u>2,107</u>

The notes on pages 13 to 26 are an integral part of these financial statements.

The financial statements were approved by the board of directors on 22 July 2021 and signed on its behalf by:

G Rutherford-Spence
G Rutherford-Spence (Jul 22, 2021 13:49 GMT+1)

G Rutherford-Spence
Director
Registered No. SC210643

STATEMENT OF CHANGES IN EQUITY
Financial year ended 31 December 2020

	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 2019	<u>75</u>	<u>227</u>	<u>350</u>	<u>3,115</u>	<u>3,767</u>
Profit for the year	-	-	-	1,040	1,040
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,040</u>	<u>1,040</u>
Dividend	-	-	-	(2,700)	(2,700)
Total transactions recognised in equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,700)</u>	<u>(2,700)</u>
Balance at 31 December 2019	<u>75</u>	<u>227</u>	<u>350</u>	<u>1,455</u>	<u>2,107</u>
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	-	-	-	351	330
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>351</u>	<u>330</u>
Dividends	-	-	-	-	-
Arising on Share Based Payments	-	-	-	16	16
Total transactions recognised in equity	<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>1,822</u>	<u>2,474</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 resources 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'.

© **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:

(18) *Sale of goods*

The company sells a range of products in the UK market. Sale of goods is recognised on delivery to the customer, 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 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. Delivery is not considered to have occurred until the customer has taken title and assumed the risks and rewards of ownership.

(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.

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.

(18) 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.

(18) 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.

(18) *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:

Motor vehicles	25% per annum
Plant and machinery	10% - 25% per annum
Office Equipment	20% - 25% per annum

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'.

(18) **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 determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition. The cost of manufactured finished goods and work in progress includes design costs, raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity).

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.

(18) *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.

(18) *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

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. There are no estimates and assumptions made in preparing the financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5 Revenue	2020 £'000	2019 £'000
Analysis of turnover by category:		
Sale of goods	7,783	10,331
Rendering of services	6,453	6,847
	14,236	17,178

All revenue is generated in the United Kingdom

6 Grant income

The Company received several government grants throughout 2020 relating to the Coronavirus Job Retention Scheme totalling £264k.

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

7 Operating profit	2020 £'000	2019 £'000
<i>Operating profit is stated after charging:</i>		
Wages and salaries	3,398	3,502
Social security costs	343	393
Other pension costs	172	179
Staff costs	<u>3,913</u>	<u>4,074</u>
	2020 £'000	2019 £'000
Operating lease charges	486	514
Depreciation	57	60
Audit fees payable to the company's auditors	18	21
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:

	2020 Number	2019 Number
By activity:		
Head Office	6	6
Sales staff	27	27
Service staff	51	51
	<u>84</u>	<u>84</u>

	2020 £'000	2019 £'000
<i>Directors</i>		
The directors' emoluments were as follows:		
Aggregate emoluments	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

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

There was no compensation for loss office paid.

	2020 £'000	2019 £'000
	-	-

Highest paid director

The highest paid directors' emoluments were as follows:

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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9 Net interest income

	2020 £'000	2019 £'000
(a) Interest receivable and similar income		
Bank and intercompany interest received	<u>2</u>	<u>9</u>
Total interest receivable and similar income	<u>2</u>	<u>9</u>
(b) Interest payable and similar expenses		
Interest payable on overdrafts and bank loans	<u>-</u>	<u>-</u>
Total interest payable and similar expenses	<u>-</u>	<u>-</u>
(c) Net interest income		
Interest receivable and similar income	2	9
Interest payable and similar expenses	<u>-</u>	<u>-</u>
Net interest income	<u>2</u>	<u>9</u>

NOTES TO THE FINANCIAL STATEMENTS

10 Tax on profit	2020 £'000	2019 £'000
(a) Tax expense included in profit or loss		
Current tax:		
UK corporation tax on profit for the financial year	101	231
Adjustment in respect of prior years	84	(97)
Current tax expense for the financial year	<u>185</u>	<u>134</u>
Deferred tax:		
Origination and reversal of timing differences	-	(7)
Impact of change in tax rate	-	1
Adjustment in respect of prior years	(6)	(1)
Deferred tax (credit)/expense for the financial year	<u>(6)</u>	<u>(7)</u>
Tax on profit	<u>179</u>	<u>127</u>

(b) Reconciliation of tax charge

The tax assessed for the year is higher (2019: higher) than that which would result from the standard rate of corporation tax in the UK 19% (2019: 19%) being applied to profit on ordinary activities. The differences are explained as follows:

	2020 £'000	2019 £'000
Profit before taxation	<u>551</u>	<u>1,167</u>
Profit multiplied by the standard rate of tax in the UK of 19% (2020: 19%)	105	222
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	2
Accelerated Capital Allowances & Timing Differences	4	-
Other adjustments	(8)	-
Adjustment to tax charge in respect of prior years	78	(97)
Group Relief not paid for	-	-
Tax on profit	<u>179</u>	<u>127</u>

NOTES TO THE FINANCIAL STATEMENTS

11 Tangible assets	Plant and machinery £'000	Motor vehicles £'000	Office Equipment £'000	Total £'000
At 31 December 2019				
Cost or deemed cost	817	-	159	976
Accumulated depreciation and impairment	(549)	-	(141)	(690)
Net book amount	<u>268</u>	<u>-</u>	<u>18</u>	<u>286</u>
Financial year ended 31 December 2020				
Opening net book amount	268	-	18	286
Additions	2	-	-	2
Disposals	(43)	-	-	(43)
Depreciation	(46)	-	(11)	(57)
Closing net book amount	<u>181</u>	<u>-</u>	<u>7</u>	<u>188</u>
At 31 December 2020				
Cost or deemed cost	767	-	159	926
Accumulated depreciation and impairment	(586)	-	(152)	(738)
Net book amount	<u>181</u>	<u>-</u>	<u>7</u>	<u>188</u>

12 Stocks	2020 £'000	2019 £'000
Work in progress (goods to be sold)	736	802
Finished goods and goods for resale	1,191	1,377
	<u>1,927</u>	<u>2,179</u>

13 Debtors – amounts falling due within one year	2020 £'000	2019 £'000
Trade Debtors	2,234	2,802
Amounts owed by group undertakings	2,094	414
Other debtors	17	20
Prepayments and accrued income	133	135
	<u>4,478</u>	<u>3,371</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	2020	2019
	£'000	£'000
Trade creditors	905	588
Amounts owed to group undertakings	599	1,011
Corporation tax	4	114
Other taxation and social security	722	356
Other creditors	228	-
Accruals and deferred income	1,691	1,680
	<u>4,149</u>	<u>3,749</u>

Amounts due to group undertakings relate to intercompany trade payables and are payable in 60 days.

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	2020	2019
	£'000	£'000
Not later than one year	425	457
Later than one year and not later than five years	877	798
More than five years	-	-
	<u>1,302</u>	<u>1,255</u>

The company had no other off balance sheet arrangements.

16 Deferred Tax	2020	2019
	£'000	£'000

Deferred tax

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

Accelerated capital allowances	(5)	(11)
Short term timing differences	-	-
Total deferred tax liability	<u>(5)</u>	<u>(11)</u>

Subsequent to the Balance sheet date, it was announced in the budget on 3rd March 2021 the rate of corporation tax would be increased to 25% with effect from 1st 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 £172k (2019: £179k). Contributions totalling £NIL (2019: £NIL) were payable to the fund at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

18 Called up share capital and reserves	2020	2019
	£	£
Equity shares of £1 each		
Allotted and fully paid		
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.

19 Capital and other commitments

At 31 December 2020 and 31 December 2019 there were no capital commitments

20 Related Parties

The company has taken advantage of the exemption with FRS 10 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 Beaty 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 22 July 2021.