

Slingsby Advanced Composites Limited
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2017



Slingsby Advanced Composites Limited

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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Slingsby Advanced Composites Limited

OFFICERS AND PROFESSIONAL ADVISERS

Board of Directors	G.J.S. Moynahan A.D. McPhee
Company Secretary	S.J. Moynihan
Registered office	Airport House The Airport Cambridge CB5 8RY
Auditor	Ernst & Young LLP 24 Marina Court Castle Street Hull HU1 1TJ
Bankers	Barclays Bank plc 9-11 St Andrews Street Cambridge CB2 3AA
Solicitors	Bird & Bird 15 Fetter Lane London EC4A 1JP

Slingsby Advanced Composites Limited

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2017

The directors of Slingsby Advanced Composites Limited ("the company") present their Report and Financial Statements containing a Strategic Report, Directors' Report and the financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the company in the year were those of design, manufacture and marketing of structural composite and metal structures for the defence, aerospace/aviation, marine and rail industries.

Profit before corporate management charges for the year was £641,289 (2016: loss £2,562,687). Turnover of £10,481,916 shows a 44.2% increase (2016: £7,269,866) and reflects a return to revenue levels more representative of prior years' performance as the company continues to deliver against key long term customer programmes. A number of programmes that were in the development stage throughout 2016 have matured during 2017 and are now delivering margin, contributing to the 26.7% increase in gross profit margin. The underlying performance of the business was therefore strong and compares favourably to the prior year.

The company has continued developments during the year on large structures for the marine market and secured significant new long term business in the missile sector. The company will also continue to develop other specialist activities for the aerospace sector, including helmets.

The company's key financial and other performance indicators during the year were as follows:

	2017	2016	Change
Turnover	£10,481,916	£7,269,866	44.2%
Gross Margin %	32.7%	6.0%	26.7%
Operating profit before corporate management charges	£641,289	(£2,562,687)	125.0%
Order Intake	£23,700,000	£11,574,000	104.8%
Number of lost time accidents	1	3	-66.7%

FUTURE DEVELOPMENTS

Order intake doubled in the year with successes across all key markets which has resulted in a strong order backlog especially in the missiles sector and the company continues to identify opportunities for growth in this area. Significant benefit is also expected to materialise from investment in process improvement and certification activities undertaken during 2017. Future developments will be focused on the aerospace and defence markets, where the company expects to gain Nadcap approval (the National Aerospace and Defence Contractors Accreditation Program) and will be aiming to strengthen its position as a provider of innovative solutions to both commercial and military aerospace and naval defence programmes.

PRINCIPAL RISKS AND UNCERTAINTIES

The company is exposed to a variety of financial risks including; price risk, competitor risk, credit risk, liquidity risk and interest rate risk. The company operates a risk management programme that seeks to limit the impact of these identified risks on the financial performance of the company.

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The company has no exposure to equity securities price risks as it holds no listed or other equity investments. The Company benchmarks itself against competitor price levels to ensure competitive market rates are maintained.

The company has interest bearing assets and liabilities, including bank balances, all of which bear interest at a floating rate. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Slingsby Advanced Composites Limited

STRATEGIC REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2017

The directors have considered the impact and have appropriate plans to mitigate credit risk on the business and, given the nature of the company's customer base, do not consider it to be significant.

Foreign exchange rate risk is low as sales and purchases are primarily transacted in Sterling as the base currency. Dollar and Euro transactions are relatively small in frequency and value with any significant foreign currency transactions being conducted through the Aerospace Group treasury function.

The Company recognises the risk associated with cyber attacks and has taken steps to minimise this risk through gaining accreditation from Cyber Essentials Plus.

CASH FLOWS AND LIQUIDITY RISKS

The company utilises the cash resources of its ultimate parent company and accordingly the risk of the company being unable to meet its liabilities as they fall due is not considered by the directors to be significant. Similarly, the availability of working capital from its ultimate parent enables the company to alleviate cash flow risks arising from growth in its business.

This report was approved by the board on 7 March 2018, and signed on its behalf



S.J. Moynihan
Company Secretary

Slingsby Advanced Composites Limited

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements of the company for the year ended 31 December 2017.

RESULTS AND DIVIDENDS

Profit before corporate management charges was £641,289 (2016: loss £2,562,687). The loss for the year, after taxation, amounted to £1,088,436 (2016: £2,839,807). The directors have not recommended a dividend (2016: £nil).

DIRECTORS

The directors who served the company during the year and to the date of this report, except as stated otherwise, were as follows:

A.D. McPhee (appointed 9 January 2017)
S.J. Fitz-Gerald (resigned 9 January 2017)
R.D. Marshall (resigned 9 January 2017)
N.M. Jennion (resigned 9 January 2017)
G.J.S. Moynahan

In accordance with the Articles of Association, G.J.S. Moynahan retires by rotation and, being eligible, offers himself for re-election.

A.D. McPhee and G.J.S. Moynahan are directors of other subsidiary undertakings of the ultimate parent undertaking. R.D. Marshall was a director during the year and held an interest in the ultimate parent company. His interest is disclosed in the Financial Statements of Marshall of Cambridge (Holdings) Ltd. No other directors hold an interest in the share capital of the company or of any other group company during the year.

None of the directors holding office at 31 December 2017 had notified a beneficial interest in any contract to which the company or other group undertakings were a party during the financial year.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The ultimate parent company purchased and maintained a directors' and officers' liability insurance policy throughout the year. Although a director's defence costs may be met, neither the parent company's indemnity nor insurance provides cover in the event that he is proved to have acted fraudulently or dishonestly.

GOING CONCERN

The company's business activities, together with the factors and risks likely to affect its future development and position, are set out in the Strategic report on page 3.

The company participates in the Marshall of Cambridge (Holdings) Limited group's treasury arrangements coordinated by the company's ultimate parent company. Under this arrangement, it has access to and shares banking arrangements and facilities with its ultimate parent and fellow undertakings.

The directors, having considered the company's forecast cash flows for the foreseeable future and having assessed the responses of the directors of the company's ultimate parent company to their enquiries have no reason to believe that a significant uncertainty exists that may cast doubt about the ability of the Marshall of Cambridge (Holdings) Limited group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Marshall of Cambridge (Holdings) Limited, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Slingsby Advanced Composites Limited

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2017

EMPLOYMENT POLICIES

The company is committed to its Equal Opportunities policy covering recruitment, training and development, performance review and career progression. The company recognises the diversity of its employees and seeks to use their talents and abilities to the full. This approach extends to the fair treatment of employees with disabilities in relation to their recruitment, training and development. Full consideration is given to the retention of employees who become disabled during employment.

The company recognises the importance of good communications and relations with its employees and it is company policy to keep employees as fully informed as possible on matters which affect them through communication procedures, which include regular briefings and consultative committees. These arrangements are continually being reviewed and updated to ensure the group meets the latest standards.

CHARITABLE CONTRIBUTIONS

During the year the company made no charitable contributions (2016: £nil).

DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR

In accordance with section 487(2) of the Companies Act 2006, Ernst and Young LLP will continue in office as auditor of the company.

Signed by order of the board of directors



Sarah Moynihan
Company Secretary

Approved by the directors on 7 March 2018

Company Registration Number 01688938

Slingsby Advanced Composites Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 31 DECEMBER 2017

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SLINGSBY ADVANCED COMPOSITES LIMITED

Opinion

We have audited the financial statements of Slingsby Advanced Composites Limited for the year ended 31 December 2017 which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position and the related notes 1 to 18, 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 company's affairs as at 31 December 2017 and of its loss 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 below. 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

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

We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SLINGSBY ADVANCED
COMPOSITES LIMITED (continued)**

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 statement of directors' responsibilities set out on page 7, 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.

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.

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



Richard Frostick (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge, UK

12 March 2018

Slingsby Advanced Composites Limited
STATEMENT OF INCOME AND RETAINED EARNINGS
YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
TURNOVER	2	10,481,916	7,269,866
Cost of sales		(7,056,743)	(6,835,065)
GROSS PROFIT		<u>3,425,173</u>	<u>434,801</u>
Administrative expenses		(4,814,005)	(3,986,684)
Other operating income	3	95,710	121,425
OPERATING LOSS	4	<u>(1,293,122)</u>	<u>(3,430,458)</u>
Interest receivable and similar income	5	313	74
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(1,292,809)</u>	<u>(3,430,384)</u>
Tax on loss on ordinary activities	8	204,373	590,577
LOSS FOR THE FINANCIAL YEAR		<u>(1,088,436)</u>	<u>(2,839,807)</u>
RETAINED EARNINGS AT THE BEGINNING OF THE YEAR		<u>6,327,174</u>	<u>9,166,981</u>
RETAINED EARNINGS AT THE END OF THE YEAR		<u><u>5,238,738</u></u>	<u><u>6,327,174</u></u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses and no changes to equity other than the results for the current and preceding years as set out above. Therefore a statement of income and retained earnings is presented in place of a statement of comprehensive income and a statement of changes in equity.

The notes on pages 12 to 21 form part of the Report and Financial Statements.

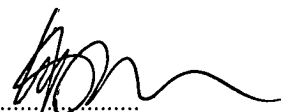
Slingsby Advanced Composites Limited

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	Notes	2017 £	2016 £
FIXED ASSETS			
Tangible assets	9	4,408,083	4,600,015
CURRENT ASSETS			
Stocks	10	1,635,237	1,622,257
Debtors	11	6,712,525	5,348,219
Cash at bank		29,000	25,657
		8,376,762	6,996,133
CREDITORS: Amounts falling due within one year	13	(6,546,107)	(4,268,974)
NET CURRENT ASSETS		1,830,655	2,727,159
TOTAL ASSETS LESS CURRENT LIABILITIES		6,238,738	7,327,174
NET ASSETS		6,238,738	7,327,174
CAPITAL AND RESERVES			
Called-up share capital	17	1,000,000	1,000,000
Profit and loss account		5,238,738	6,327,174
SHAREHOLDER'S FUNDS		6,238,738	7,327,174

The Report and Financial Statements were approved by the directors and authorised for issue on 7 March 2018, and are signed on their behalf by:



 G.J.S. MOYNEHAN
 Director

Company Registration Number: 1688938

The notes on pages 12 to 21 form part of the Report and Financial Statements.

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

1. Accounting Policies

(a) Statement of compliance

Slingsby Advanced Composites Limited is a private company limited by shares incorporated in England and Wales. The registered office is Airport House, The Airport, Cambridge, CB5 8RY.

The company's financial statements have been prepared in compliance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") as it applies to the financial statements of the company for the year ended 31 December 2017.

(b) Basis of preparation

The financial statements of the company were authorised for issue on 7 March 2018 by the Board of Directors. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the company.

(c) Going concern

The company's business activities, together with the factors and risks likely to affect its future development and position, are set out in the Strategic report on pages 3 and 4.

The company participates in the Marshall of Cambridge (Holdings) Limited group's treasury arrangements coordinated by the company's ultimate parent company. Under this arrangement, it has access to and shares banking arrangements and facilities with its ultimate parent and fellow undertakings.

The directors, having considered the company's forecast cash flows for the foreseeable future and having assessed the responses of the directors of the company's ultimate parent company to their enquiries have no reason to believe that a significant uncertainty exists that may cast doubt about its ability to continue with the current banking arrangements.

On the basis of their assessment of the company's financial position, with net assets of £6.2m and net current assets of £1.8m, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(d) Exemptions for qualifying entities under FRS 102

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 disclosure exemptions under FRS 102 reduced disclosure framework:

- (a) The requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- (b) The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d);
- (c) The requirements of Section 11, paragraphs 11.39 to 11.48A and Section 12, paragraphs 12.26 to 12.29A;
- (d) The requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23; and
- (e) The requirements of Section 33 Related Party Disclosures paragraph 33.7.

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

1. Accounting Policies *(continued)*

(e) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period.

The following judgement has had the most significant effect on amounts recognised in the financial statements:

Operating lease commitments

The company has entered into property leases as a lessor, and as a lessee it obtains use of property, plant and equipment. The classification of such leases as operating or finance requires the company to determine whether it retains or acquires the significant risks and rewards of ownership of these assets.

The following are the company's key sources of estimation uncertainty:

Turnover

Turnover on long term contracts is recognised by reference to the stage of completion of contract activity, and therefore is sensitive to the ability to reliably assess this stage of completion. This is normally based on the costs incurred to date as a proportion of total anticipated contract costs, however if this does not accurately reflect the stage of completion then an alternative approach is used instead. In making the assessment of costs to complete the contract, management considers not only specific forecast costs but also the level of risk on the programme. In addition, if the final outcome of a contract cannot be reliably assessed, revenue recognition is limited to the level of costs incurred until such time that the contract has progressed sufficiently to make profit recognition appropriate. Where a contract is forecast to be loss making, full provision is made for such losses in the first year in which they are foreseen.

Research and development expenditure credits

The company recognises a provision for research and development expenditure credits receivable based on reasonable estimates, informed by the relevant tax legislation. Management estimation is required to determine the amount of tax credit that can be recognised, based upon the level of qualifying research and development activity undertaken by the company.

Deferred tax

Unrelieved tax losses and other deferred tax assets have been recognised only to the extent that the Directors consider it is probable they will be recovered against future taxable profits or the reversal of deferred tax liabilities. Management estimation is required to determine whether the recognition of future taxable profits is probable.

A five year financial forecast has been prepared which indicates the company will return to a taxable profit position from the year ended 31 December 2018 onwards. The Directors acknowledge the estimation uncertainty included in future financial forecasts but consider the recognition of deferred tax assets reasonable.

(f) Turnover

Turnover comprises the invoiced value of goods and services supplied by the company excluding trade discounts and value added tax. Turnover relating to long-term contracts represents the fair value of work performed during the year determined by reference to the stage of completion of the contract.

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The specific methods used to recognise the different forms of revenue earned by the company are set out below.

Included in Turnover shown in the profit and loss account are amounts invoiceable in relation to rental activities during the year. Rent received is recognised evenly over the period of the related lease.

i) Sale of goods

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be reliably measured. Profit is recognised at the time of sale.

ii) Long-term contracts

Turnover from long-term contracts is recognised by reference to the stage of completion of contract activity at the year end date. This is normally determined by the proportion that contract costs incurred to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. If the nature of a particular contract means that costs incurred do not accurately reflect the progress of contract activity, an alternative approach is used such as the achievement of pre-determined contract milestones.

Revenue in respect of variations to contracts, claims and incentive payments are recognised when it is highly likely that it will be agreed by the customer. Profit attributable to long-term contracts is recognised if the final outcome of such contracts can be reliably assessed. On all contracts, full provision is made for any losses in the year in which they are first foreseen.

iii) Rendering of services

Turnover from the provision of services is recognised when the service is complete.

(g) Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is capitalised as an intangible asset where the company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Research and development expenditure credits

Research and development expenditure credits are recognised based on the level of qualifying research and development expenditure incurred by the company. Expenditure credits are either used to reduce the tax charge incurred by the company or, where the company is loss making, group relieved to other companies within the Marshall of Cambridge (Holdings) Limited group.

(h) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its useful economic life as follows:

Freehold Property	50 years
Plant and Machinery	3-10 years
Motor Vehicles	4 years

Depreciation is provided when the assets are available for use.

The carrying values of tangible fixed assets are reviewed for impairment when events of changes in circumstances indicate the carrying value may not be recoverable.

(i) Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

(j) Work in progress

Work in progress is valued at the lower of cost and net realisable value. Cost includes, where appropriate, labour and factory overheads. Long-term contract work-in-progress is stated at cost, as defined above, less amounts transferred to profit or loss and provision for any known or anticipated losses and payments on account received and receivable.

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

1. Accounting Policies *(continued)*

(k) Leasing and hire purchase commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

(l) Pension costs

Marshall of Cambridge (Holdings) Limited group operates a number of different pension funds, including both defined contribution and defined benefit schemes, for the employees of the group. The assets of all the schemes are held in independently administered trust funds. The employees of the company are only members of the defined contribution schemes, and contributions are recognised in the profit and loss account in the period in which they become payable.

(m) Deferred taxation

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- Where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability / (asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- Unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the period end date.

(n) Foreign currencies

Transactions in foreign currencies are initially recorded in the company's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

(o) Basic Financial Instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other debtors and creditors, loans to and from related parties and investments in non-puttable ordinary shares.

Trade and other debtors and creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

2. Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of valued added tax.

The turnover and (loss)/profit before tax are attributable to the company's principal activity, that of structural composite design and manufacture. All revenue is generated in the United Kingdom. An analysis of turnover by geographical destination is given below:

	2017	2016
	£	£
United Kingdom	8,750,444	5,738,420
Rest of Europe	53,486	6,072
North America	1,677,986	1,525,374
	<u>10,481,916</u>	<u>7,269,866</u>

3. Other Operating Income

	2017	2016
	£	£
Rent receivable from third parties	23,904	28,990
Research and development expenditure credits	71,806	92,435
	<u>95,710</u>	<u>121,425</u>

4. Operating Loss

Operating loss is stated after charging/(crediting):

	2017	2016
	£	£
Depreciation of owned tangible fixed assets (see note 9)	533,881	422,124
Operating lease costs:		
- Plant and equipment	28,566	41,094
Foreign currency loss/(gain)	8	(8,847)
Corporate management charges	<u>1,729,726</u>	<u>277,120</u>

Auditor's Remuneration:

Auditor's remuneration is as follows:

	2017	2016
	£	£
Audit of the financial statements of the company	<u>24,529</u>	<u>20,019</u>

5. Interest Receivable and Similar Income

	2017	2016
	£	£
Interest receivable	<u>313</u>	<u>74</u>

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

6. Particulars of Employees

The average monthly number of employees (including executive directors) of the company during the financial year was:

	2017	2016
	No	No
Number of production staff	110	110
Number of administrative staff	8	17
	<u>118</u>	<u>127</u>

The aggregate payroll costs of the above were:

	2017	2016
	£	£
Wages and salaries	3,821,212	3,644,878
Social security costs	337,799	270,946
Pension costs (note 15)	239,498	225,922
	<u>4,398,509</u>	<u>4,141,746</u>

7. Directors' Remuneration

A.D. McPhee and G.J.S. Moynehan are directors of Marshall of Cambridge Aerospace Limited, a fellow group undertaking. All directors provide their services to all of the undertakings where they are a director. The directors do not believe that it is practicable to apportion the total remuneration between their qualifying services as directors of the company and their qualifying services as directors of either the immediate parent undertaking or fellow subsidiary undertakings. The total remuneration of A.D. McPhee and G.J.S. Moynehan is disclosed within the financial statements of Marshall of Cambridge Aerospace Limited. A management charge of £1,729,726 (2016: £277,120) has been made by Marshall of Cambridge Aerospace Limited, which includes a proportion of the directors' emoluments.

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

8. Tax on (Loss)/Profit on Ordinary Activities

(a) Analysis of charge in the year

	2017 £	2016 £
Current tax		
UK Corporation tax based on the results for the year at 19.25% (2016: 20.00%)	-	(135,248)
Adjustments to tax charge in respect of previous years	(1,685)	(28,933)
Total current tax	(1,685)	(164,181)
Deferred tax		
Origination and reversal of timing differences	(180,199)	(459,682)
Prior year adjustment	(22,489)	34,730
Effect of changed tax rate on opening balance	-	(1,444)
Total deferred tax	(202,688)	(426,396)
Tax on (loss) on ordinary activities	(204,373)	(590,577)

(b) Factors affecting current tax charge

The UK standard rate of corporation tax is 19.25% (2016: 20.00%). The actual tax charge for the current and previous year varies from the standard rate for reasons set out in the following reconciliation:

	2017 £	2016 £
Loss on ordinary activities before taxation	(1,292,809)	(3,230,384)
Profit on ordinary activities multiplied by the standard rate of corporation tax of 19.25% (2016: 20.00%)	(248,866)	(686,077)
Expenses not deductible for tax purposes	44,817	16,151
Adjustments to tax charge in respect of previous years	(24,174)	5,797
Impact of tax losses which are not recognised	23,850	74,997
Effect of tax rate changes	-	(1,444)
Total tax credit (note 8(a))	(204,373)	(590,577)

(c) Factors that may affect future tax charges

The standard rate of tax applied to reported loss on ordinary activities is 19.25%. The applicable tax rate has changed following the substantive enactment of the Finance Act 2013. Finance (No. 2) Act 2015 enacted a further reduction in the UK corporation tax rate to 19% with effect from 1 April 2017 and Finance Act 2016 enacted another reduction in the UK corporation tax rate to 17% with effect from 1 April 2020. These changes to UK corporation tax rates impact the closing deferred tax position for 2017.

Deferred tax assets of £553,287 in respect of tax losses carried forward have been recognised on the basis the Group has sufficient certainty over recoverability against future taxable profits of the Group. The reform of corporation tax loss relief also provides increased flexibility for the Group to utilise the corporate tax losses generated since 1 April 2017. We expect this deferred tax asset to reverse and decrease the corporation tax charge by £83,030 in the next twelve months.

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

9. Tangible Fixed Assets

	Freehold Property £	Plant and Machinery £	Total £
COST			
At 1 January 2017	3,659,057	4,936,762	8,595,819
Additions	95,251	246,698	341,949
Disposals	-	(560,576)	(560,576)
At 31 December 2017	3,754,308	4,622,884	8,377,192
DEPRECIATION			
At 1 January 2017	259,963	3,735,841	3,995,804
Charge for the year	118,339	415,542	533,881
On disposals	-	(560,576)	(560,576)
At 31 December 2017	378,302	3,590,807	3,969,109
NET BOOK VALUE			
At 31 December 2017	3,376,006	1,032,077	4,408,083
At 31 December 2016	3,399,094	1,200,921	4,600,015

In accordance with FRS 102 Section 27 Impairment of Assets paragraph 27.7 and as the business is loss making, the carrying value of fixed assets at 31 December 2017 have been compared to their recoverable amounts representing their value in use to the company. On the basis of forecast future cashflows, the cashflows exceed the carrying value of the assets and therefore no impairment has been recognised.

10. Stocks

	2017 £	2016 £
Raw materials	1,372,589	974,519
Work in progress	262,648	647,738
	1,635,237	1,622,257

The difference between purchase price or production cost of raw materials and their replacement cost is not considered material. Stocks recognised as an expense in the year were £4,588,440 (2016: £3,994,949).

Progress Payments receivable in excess of the value of the work done on individual contracts less provisions are shown separately under Creditors: Amounts falling due within one year on the statement of financial position (see note 13)

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

11. Debtors

	2017	2016
	£	£
Trade debtors	3,093,866	2,306,146
Amounts owed by group undertakings	1,059,211	1,043,476
Prepayments and accrued income	1,944,086	1,452,398
Deferred tax asset (see note 12)	615,362	412,675
Corporation tax receivable	-	133,524
	<u>6,712,525</u>	<u>5,348,219</u>

12. Deferred Tax Asset/ (Liability)

The movement in the deferred tax asset/(liability) during the year was:

	2017	2016
	£	£
Deferred tax asset/(liability) brought forward	412,675	(13,721)
Changes in provision	202,687	426,396
Deferred tax asset carried forward (see note 8)	<u>615,362</u>	<u>412,675</u>

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

	2017	2016
	£	£
Excess of depreciation over capital allowances	24,406	(20,883)
Impact of tax losses carried forward	553,287	396,524
Other timing differences	37,669	37,034
	<u>615,362</u>	<u>412,675</u>

13. Creditors: Amounts falling due within one year

	2017	2016
	£	£
Payments received on account	1,503,599	1,352,227
Trade creditors	554,871	563,294
Amounts owed to group undertakings	3,459,172	489,948
Other taxes and social security costs	281,544	100,132
Accruals and deferred income	721,064	1,636,510
Corporation tax payable	8,392	-
Other creditors	17,465	126,863
	<u>6,546,107</u>	<u>4,268,974</u>

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

14. Commitments under Operating Leases

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

	2017 Plant & Equipment £	2016 Plant & Equipment £
Within 1 year	7,418	5,943
Between 2 to 5 years	4,724	10,667
	<u>12,142</u>	<u>16,610</u>

15. Pensions

The company participates in the defined contribution pension scheme operated by Marshall of Cambridge (Holdings) Limited (the "Group") for the benefit of its employees. The scheme is funded by the payment of contributions to trustee administered funds which are kept independently from the assets of the Group.

The total pension cost for the year for the company in respect of defined contribution schemes was £239,498 (2016: £225,922). The total unpaid pension contributions outstanding at the year end were £17,465 (2016: £16,331).

16. Related Party Transactions

The company has taken advantage of the exemption in FRS 102 Section 33 Related Party Disclosures paragraph 33.7 not to disclose transactions with fellow subsidiary undertakings of the Marshall of Cambridge (Holdings) Limited group.

17. Share Capital

Allotted, called up and fully paid:

	2017 £	2016 £
10,000,000 Ordinary shares of £0.10 each	<u>1,000,000</u>	<u>1,000,000</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

18. Ultimate Parent Company and Controlling Party

The immediate parent undertaking and controlling party is Slingsby Holdings Limited.

The parent undertaking of the smallest and the largest group of undertakings for which consolidated financial statements are prepared and of which the company is a member is Marshall of Cambridge (Holdings) Limited, registered in England and Wales, and this is therefore considered to be the ultimate parent undertaking and also the ultimate controlling party. Copies of these consolidated financial statements can be obtained from Marshall of Cambridge (Holdings) Limited, Airport House, The Airport, Cambridge, CB5 8RY.