

Slingsby Advanced Composites Limited
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2018



Slingsby Advanced Composites Limited

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

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Slingsby Advanced Composites Limited

OFFICERS AND PROFESSIONAL ADVISERS

Board of Directors

G.J.S. Moynihan
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 2018

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 2018.

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 £1,651,459 (2017: £641,290). Turnover of £15,315,921 shows a 46.1% increase (2017: £10,481,916) and reflects a continuing growth trend, in line with the strategic 5-year plan, as the company continues to deliver against key, long-term customer programmes. A number of programmes, for which the development work had been undertaken in prior years, continued to produce strong margins reflecting production process improvements and increasing the gross margin by 14.6% year on year.

The company has continued its successful production on large structures for the marine market and commenced major projects in the missile sector against orders secured the previous year. 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:

	2018	2017	Change
Turnover	£15,315,921	£10,481,916	46%
Gross Margin %	47.3%	32.7%	14.6%
Profit before corporate management charges	£1,651,459	£641,290	157.5%
Order Intake	£9,575,000	£23,700,000	-59.6%
Number of lost time accidents	3	1	200%

FUTURE DEVELOPMENTS

Order intake reduced in the year, in line with expectations, given the significant success of the order intake in the prior year. Relevant market opportunities were known to be at a much lower level in 2018 with order intake expected to increase again in subsequent years.

Future developments will be focussed 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 2018

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.

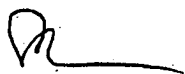
Foreign exchange rate risk is low as sales and purchases are primarily transacted in Sterling as the base currency. Dollar and Euro transactions are relatively small in frequency and value with any significant foreign currency transactions being conducted through the treasury function of its ultimate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

The company recognises the risk associated with cyber attacks and has taken steps to minimise the risk through gaining accreditation through Cyber Essential Plus and implementing other IT based solutions as directed by its intermediate parent company, Marshall of Cambridge Aerospace Limited.

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 company enables the company to alleviate cash flow risks arising from growth in its business.

Signed by order of the board of directors



S.J. Moynihan
Company Secretary

Approved by the directors on 8 March 2019

Slingsby Advanced Composites Limited

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements of the company for the year ended 31 December 2018.

RESULTS AND DIVIDENDS

Profit before corporate management charges was £1,651,459 (2017: £641,290). The profit for the year, after taxation, amounted to £778,221 (2017: loss £1,088,436). The directors have not recommended a dividend (2017: £nil).

DIRECTORS

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

A.D. McPhee
G.J.S. Moynahan

A.D. McPhee and G.J.S. Moynahan are directors of other subsidiary undertakings of the ultimate parent undertaking. No 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 2018 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 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 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

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2018

SUBSEQUENT EVENTS

On 5 February 2019, the company's intermediate parent undertaking, Marshall of Cambridge Aerospace Limited, was involved in a group reorganisation.

Marshall of Cambridge Aerospace Limited's entire share capital was acquired by Marshall ADG Limited, a wholly owned subsidiary company of Marshall of Cambridge (Holdings) Limited, in a share for share exchange transaction. Following this reorganisation, the Company's immediate parent company remains Slingsby Holdings Limited. Marshall of Cambridge (Holdings) Limited continues to be the Ultimate Parent Company.

There have been no further disclosable significant events after 31 December 2018 to the date of approval of the financial statements, on 8 March 2019.

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 charitable contributions of £1,500 (2017: £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 8 March 2019

Company Registration Number 01688938

Slingsby Advanced Composites Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 31 DECEMBER 2018

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 2018 which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position and the related notes 1 to 19, 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 2018 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 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.

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.

Use of our report

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

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
Hull, UK

12 March 2018

Slingsby Advanced Composites Limited

STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
TURNOVER	2	15,315,921	10,481,916
Cost of sales		(8,073,218)	(7,056,743)
GROSS PROFIT		7,242,703	3,425,173
Administrative expenses		(6,550,847)	(4,814,005)
Other operating income	3	257,495	95,710
OPERATING PROFIT / (LOSS)	4	949,351	(1,293,122)
Interest receivable and similar income	5	-	313
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		949,351	(1,292,809)
Tax on profit / (loss) on ordinary activities	8	(171,129)	204,373
PROFIT / (LOSS) FOR THE FINANCIAL YEAR		778,222	(1,088,436)
RETAINED EARNINGS AT THE BEGINNING OF THE YEAR		5,238,738	6,327,174
RETAINED EARNINGS AT THE END OF THE YEAR		6,016,960	5,238,738

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 22 form part of the Report and Financial Statements.

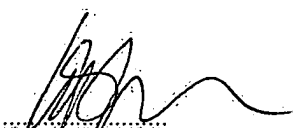
Slingsby Advanced Composites Limited

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Notes	2018 £	2017 £
FIXED ASSETS			
Tangible assets	9	4,505,753	4,408,083
CURRENT ASSETS			
Stocks	10	1,856,669	1,635,237
Debtors	11	7,145,120	6,712,525
Cash at bank		12,336	29,000
		9,014,125	8,376,762
CREDITORS: Amounts falling due within one year	13	(6,502,918)	(6,546,107)
NET CURRENT ASSETS		2,511,207	1,830,655
NET ASSETS		7,016,960	6,238,738
CAPITAL AND RESERVES			
Called-up share capital	17	1,000,000	1,000,000
Profit and loss account		6,016,960	5,238,738
SHAREHOLDER'S FUNDS		7,016,960	6,238,738

The Report and Financial Statements were approved by the directors and authorised for issue on 8 March 2019, and are signed on their behalf by:


G.J.S. MOYNEHAN
Director

Company Registration Number: 1688938

The notes on pages 12 to 22 form part of the Report and Financial Statements.

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

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 2018.

(b) Basis of preparation

The financial statements of the company were authorised for issue on 8 March 2019 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 £7.0m and net current assets of £2.5m, 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 2018

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 make taxable profit for the next five years. 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.

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

1. Accounting Policies *(continued)*

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.

(h) 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.

(i) 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 or changes in circumstances indicate the carrying value may not be recoverable.

(j) 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.

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

1. Accounting Policies *(continued)*

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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 2018

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 profit/(loss) 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:

	2018	2017
	£	£
United Kingdom	14,060,864	8,750,444
Rest of Europe	27,375	53,486
North America	1,227,682	1,677,986
	<u>15,315,921</u>	<u>10,481,916</u>

3. Other Operating Income

	2018	2017
	£	£
Rent receivable from third parties	11,981	23,904
Research and development expenditure credits	245,514	71,806
	<u>257,495</u>	<u>95,710</u>

4. Operating Profit

Operating profit is stated after (crediting)/charging:

	2018	2017
	£	£
Depreciation of owned tangible fixed assets (see note 9)	643,964	533,881
Operating lease costs:		
- Plant and equipment	30,897	28,566
Foreign currency (gain)/loss	(4,882)	8
Corporate management charges	873,238	1,729,726
	<u>1,543,219</u>	<u>1,302,181</u>

Auditor's Remuneration:

Auditor's remuneration is as follows:

	2018	2017
	£	£
Audit of the financial statements of the company	<u>26,841</u>	<u>24,529</u>

5. Interest Receivable and Similar Income

	2018	2017
	£	£
Interest receivable	<u>-</u>	<u>313</u>

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

6. Particulars of Employees

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

	2018	2017
	No	No
Number of production staff	110	110
Number of administrative staff	17	8
	<u>127</u>	<u>118</u>

The aggregate payroll costs of the above were:

	2018	2017
	£	£
Wages and salaries	3,739,745	3,821,212
Social security costs	357,950	337,799
Pension costs (note 15)	283,993	239,498
	<u>4,381,688</u>	<u>4,398,509</u>

7. Directors' Remuneration

A.D. McPhee and G.J.S. Moynihan 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. Moynihan is disclosed within the financial statements of Marshall of Cambridge Aerospace Limited. A management charge of £873,238 (2017: £1,729,726) 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 2018

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

(a) Analysis of charge / (credit) in the year

	2018 £	2017 £
Current tax		
UK Corporation tax based on the results for the year at 19.00% (2017: 19.25%)	68,926	-
Adjustments to tax charge in respect of previous years	(185,234)	(1,685)
Group relief payable	68,189	-
Total current tax	(48,119)	(1,685)
Deferred tax		
Origination and reversal of timing differences	103,724	(180,199)
Prior year adjustment	115,524	(22,489)
Total deferred tax	219,248	(202,688)
Tax on profit / (loss) on ordinary activities	171,129	(204,373)

(b) Factors affecting current tax charge

The UK standard rate of corporation tax is 19.00% (2017: 19.25%). The actual tax charge for the current and previous year varies from the standard rate for reasons set out in the following reconciliation:

	2018 £	2017 £
Profit / (loss) on ordinary activities before taxation	949,350	(1,292,809)
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax of 19.00% (2017: 19.25%)	180,377	(248,866)
Expenses not deductible for tax purposes	36,338	44,817
Research and development enhanced claim	(11,706)	-
Adjustments to tax charge in respect of previous years	(69,710)	(24,174)
Impact of tax losses (utilised) / not recognised	35,830	23,850
Total tax charge / (credit) (note 8(a))	171,129	(204,373)

(c) Factors that may affect future tax charges

The standard rate of tax applied to reported loss on ordinary activities is 19.00%. Finance Act 2016 enacted a 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 2018.

Deferred tax assets of £366,921 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. During the year beginning 1 January 2019, the net reversal of deferred tax assets and liabilities is expected to decrease the corporation tax charge for the year to £47,620. This is due to the anticipated unwind of fixed asset timing differences and utilisation of brought forward tax losses. The reform of corporation tax loss relief also provides increased flexibility for the Group to utilise the corporate tax losses generated since 1 April 2018.

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

9. Tangible Fixed Assets

	Freehold Property £	Plant and Machinery £	Total £
COST			
At 1 January 2018	3,754,308	4,622,884	8,377,192
Additions	167,336	574,529	741,865
Disposals	-	(382,400)	(382,400)
At 31 DECEMBER 2018	3,921,644	4,815,013	8,736,657
DEPRECIATION			
At 1 January 2018	378,302	3,590,807	3,969,109
Charge for the year	192,186	451,779	643,965
On disposals	-	(382,170)	(382,170)
At 31 DECEMBER 2018	570,488	3,660,416	4,230,904
NET BOOK VALUE			
At 31 DECEMBER 2018	3,351,156	1,154,597	4,505,753
At 31 December 2017	3,376,006	1,032,077	4,408,083

In accordance with FRS 102 Section 27 Impairment of Assets paragraph 27 the carrying value of fixed assets at 31 December 2018 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

	2018 £	2017 £
Raw materials	1,686,157	1,372,589
Work in progress	170,512	262,648
	1,856,669	1,635,237

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 £4,240,396 (2017: £1,721,424).

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 2018

11. Debtors

	2018	2017
	£	£
Trade debtors	3,169,156	3,093,866
Amounts owed by group undertakings	1,095,290	1,059,211
Prepayments and accrued income	2,456,250	1,944,086
Deferred tax asset (see note 12)	396,115	615,362
Corporation tax receivable	28,309	-
	<u>7,145,120</u>	<u>6,712,525</u>

12. Deferred Tax Asset

The movement in the deferred tax asset during the year was:

	2018	2017
	£	£
Deferred tax asset brought forward	615,362	412,675
Changes in provision	(219,248)	202,687
Deferred tax asset carried forward (see note 8)	<u>396,114</u>	<u>615,362</u>

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

	2018	2017
	£	£
Excess of depreciation over capital allowances	26,306	24,406
Impact of tax losses carried forward	366,921	553,287
Impact of research and development expenditure credit carried forward	-	34,700
Other timing differences	2,887	2,969
	<u>396,114</u>	<u>615,362</u>

13. Creditors: Amounts falling due within one year

	2018	2017
	£	£
Payments received on account	877,584	1,503,599
Trade creditors	1,044,867	554,871
Amounts owed to group undertakings	4,059,185	3,459,172
Other taxes and social security costs	272,162	281,544
Accruals and deferred income	232,138	721,064
Corporation tax payable	-	8,392
Other creditors	16,982	17,465
	<u>6,502,918</u>	<u>6,546,107</u>

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

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:

	2018 Plant & Equipment £	2017 Plant & Equipment £
Within 1 year	8,760	7,418
Between 2 to 5 years	1,687	4,724
Over 5 years	-	-
	<u>10,447</u>	<u>12,142</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 £283,993 (2017: £239,498). The total unpaid pension contributions outstanding at the year end were £16,982 (2017: £17,465).

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:

	2018 £	2017 £
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.

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

19. Post Balance Sheet Event

On 5 February 2019, the Company's intermediate parent undertaking, Marshall of Cambridge Aerospace Limited, was involved in a group reorganisation.

Marshall of Cambridge Aerospace Limited's entire share capital was acquired by Marshall ADG Limited, a wholly owned subsidiary company of Marshall of Cambridge (Holdings) Limited, in a share for share exchange transaction.

Following this reorganisation, the Company's immediate parent company remains Slingsby Holdings Limited. Marshall of Cambridge (Holdings) Limited continues to be the Ultimate Parent Company.