

REGISTERED NUMBER: 01838700 (England and Wales)

STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

FOR

ROCKFORD COMPONENTS LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2018

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ROCKFORD COMPONENTS LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTORS:

Mrs P A Marks
P A Lion
L A Betts
B S Hayter

SECRETARY:

Mrs P A Marks

REGISTERED OFFICE:

Rockford House
Accr Road
Rendlesham
Woodbridge
Suffolk
IP12 2GJ

REGISTERED NUMBER:

01838700 (England and Wales)

AUDITORS:

Ballams
Chartered Accountants
Statutory Auditors
Crane Court
302 London Road
Ipswich
Suffolk
IP2 0AJ

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their strategic report for the year ended 31 December 2018.

REVIEW OF BUSINESS

Following delays with sales contract programmes in 2017, the board took the decision to maintain its operational capacity based on forecasted projects commencing and achieving profitable efficient build levels in 2018. Unfortunately 2018 also proved to be challenging due to a combination of factors including the ongoing general trading difficulty created by Brexit uncertainty and with two major programmes encountering delays due to engineering uplifts and a significant build standard uplift on our main civil aerospace contract.

Delays in the planned programmes and forecasted sales whilst maintaining operational capability caused losses to be incurred and increased funding was sought to alleviate pressure on working capital. Following negotiations with various parties our controlling shareholder and CEO decided to confirm his support for the company by way of an increased director's loan facility.

Tragically our CEO passed away suddenly prior to implementing his additional investment and from May 2018 we had to renegotiate funding with external providers. The passing of our CEO created a considerable amount of extra work for the management team in support of financing provision in 2018, resolution of probate of his estate, plus external due diligence on behalf of various interested parties which eventually completed early 2019.

The ongoing difficult trading conditions resulted in the management team embarking upon a restructuring exercise in November 2018 to reset the cost base in the business and address profitability challenges for the future. Phase 1 of the cost restructure was largely completed by March 2019 with further ongoing reductions commencing in May 2019. As part of the restructure the management team reassessed the company's stock holding policies and in particular those relating to slow moving and potentially obsolete stocks. As a result of this review the company has written down the value of stocks by £956,040.

In February 2019 a new dynamic management structure was put into place to reset the business for future growth and profitability. This has also been aligned to investment into the development of improved IT automation of planning and reporting systems, giving more real time and forward looking accurate data linked through the parallel development of our MCRS (Management Control and Reporting System).

The company has also worked closely with the Sharing In Growth team through 2019 to be able to deliver a year by year Business Policy Deployment (BPD) programme to ensure that 2020 delivers a return to profitable growth through the key strategic areas of People Development, Sales Growth, Improved Efficiency and Delivery.

During the second half of 2019 a number of major sales contract programmes began to stabilise and become more efficient. Further details are given in note 4 to these financial statements. The main loss making civil aerospace programme was concluded at end of 2019 with just the completion of the sale of surplus material to be concluded first quarter 2020.

Challenges remained on sales forecasted 4th quarter 2019 and thereon profitability due to the Brexit/Election situation. Consequently the expected forecasted sales shifted to commencement in March/April 2020.

The new management team will have MCRS and BPD fully implemented from the start of 2020 to support the return to profitable growth. The company currently has a satisfactory order book with the forecasted sales now starting to come to fruition and a strong pipeline of opportunity. It continues to invest into R&D of new product and service capability.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk to the company would be the effect on our ability to export into and import from Europe easily if the UK's negotiations to leave the European Union do not deliver the continued free movement of goods between the UK and mainland Europe. This would affect two of our major customers in Belgium and France where we have current contracts and also major opportunities for growth through our pipeline of opportunities. Uncertainties lie around the continued delays in the UK fighting vehicle market and decisions awaited from the UK government around major investments into the upgrading of legacy vehicles.

KEY PERFORMANCE INDICATORS

Financial Year	2018	2017
Turnover	£9,378,710	£10,648,812
Gross profit	£1,207,197	3,212,772
Gross profit rate %	12.9%	30.2%
Exceptional charges to the comprehensive income statement	£1,071,310	£nil
Loss before taxation	£3,301,380	£382,802
Net assets	£2,428,954	£5,475,969

ON BEHALF OF THE BOARD:

P A Lion - Director

7 February 2020

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were those of design, manufacture, installation and the supply of cable assemblies, wiring harnesses, electromechanical sub-assemblies and systems solutions for the Defence, Aerospace, Marine, Automotive and Industrial Industries.

DIVIDENDS

Dividends totalling £Nil (2017 - £100,000) were paid during the year.

RESEARCH AND DEVELOPMENT

The company continues to invest in the development and skills base of its engineering team. New technology roadmaps have been created and are regularly reviewed for our customers and target markets in line with the five year business plan. This will inevitably increase our involvement with our current and new customers very early on in their programmes and projects and will enhance our visibility as an engineering based company that can deliver from conception to a manufactured product within our own broad manufacturing capability.

FUTURE DEVELOPMENTS

The company's order book remains healthy and there is a pipeline of opportunities in excess of £100m, including a number of high profile Aerospace and Industrial opportunities. This is an important area of growth for the business as Civil Aerospace growth is expected to increase sharply over the next 5-7 years and the Industrial market opens doors to new customers.

Updated marketing and greater utilisation of our website will continue to develop into 2020. This will all be underpinned by the new management team, MCRS and BPD

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2018 to the date of this report.

Mrs P A Marks
P A Lion
L A Betts
B S Hayter

Other changes in directors holding office are as follows:

S D Hayter - resigned 5 September 2019

On 6 May 2018 our founder and CEO Jon Marks passed away in the early hours of the morning peacefully at his home. Although Jon had not been that involved in the day to day running of the business during recent years his contribution over the forty years that the company has been trading were considerable, and his presence will be missed.

FINANCIAL INSTRUMENTS

The company utilises within its operations financial instruments such as trade debtors, trade creditors, bank facilities including invoice discounting and a director's loan.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2018

LIQUIDITY AND CREDIT RISK

Liquidity risk is managed by the close monitoring of trade payables, trade receivables and bank facilities. The company's main credit risk is that associated with trade debtors. This risk is managed by ensuring that the ongoing availability of credit facilities is supported by a regular assessment of a customers credit status.

INTEREST RATE RISK

The financing of the company's operations is met through the management of working capital in conjunction with bank facilities including invoice discounting and a director's loan. The company's bank facilities are available at agreed commercial rates and the director's loan is interest free with no fixed date for repayment.

EMPLOYMENT POLICIES

The company communicates with its employees on all levels and continues to work closely with ACAS to develop employees from all departments and to ensure that both management and employees are aware of their employment responsibilities.

The company is committed to the fair treatment of all its employees irrespective of gender, race, age, religion, disability and sexual orientation. A diversity and dignity at work policy has been issued to ensure that all employees are treated correctly.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting estimates that are reasonable and prudent;
- 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2018

AUDITORS

The auditors, Ballams, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

ON BEHALF OF THE BOARD:

P A Lion - Director

7 February 2020

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
ROCKFORD COMPONENTS LIMITED

Opinion

We have audited the financial statements of Rockford Components Limited (the 'company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Statement of Cash Flows, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 4 to the financial statements, which indicates that the company incurred a net loss of £3,047,015 during the year ended 31 December 2018. As stated in note 4, this along with other matters as detailed in note 4, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

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

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 this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
ROCKFORD COMPONENTS LIMITED

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

Auditors' 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 a Report of the Auditors 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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
ROCKFORD COMPONENTS LIMITED

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 a Report of the Auditors 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.

Michael Mortimer (Senior Statutory Auditor)
for and on behalf of Ballams
Chartered Accountants
Statutory Auditors
Crane Court
302 London Road
Ipswich
Suffolk
IP2 0AJ

7 February 2020

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 £	2017 £
TURNOVER	5	9,378,710	10,648,812
Cost of sales		<u>8,171,513</u>	<u>7,436,040</u>
GROSS PROFIT		1,207,197	3,212,772
Administrative expenses		<u>3,449,315</u> (2,242,118)	<u>3,634,212</u> (421,440)
Other operating income	6	<u>22,400</u> (2,219,718)	<u>38,400</u> (383,040)
Stock write down	8	(956,040)	-
Freehold property impairment	8	<u>(115,270)</u> (3,291,028)	<u>-</u> (383,040)
Interest receivable and similar income		79	238
Interest payable and similar expenses	9	<u>(10,431)</u>	<u>-</u>
LOSS BEFORE TAXATION	10	(3,301,380)	(382,802)
Tax on loss	11	<u>(254,365)</u>	<u>(507,890)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(3,047,015)	125,088
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(3,047,015)</u>	<u>125,088</u>

The notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
FIXED ASSETS					
Intangible assets	13		-		-
Tangible assets	14		784,167		941,459
			<u>784,167</u>		<u>941,459</u>
CURRENT ASSETS					
Stocks	15	4,343,676		4,376,536	
Debtors	16	2,521,643		3,067,868	
Cash at bank and in hand		<u>16,578</u>		<u>51,364</u>	
		6,881,897		7,495,768	
CREDITORS					
Amounts falling due within one year	17	<u>5,189,638</u>		<u>2,911,413</u>	
NET CURRENT ASSETS			<u>1,692,259</u>		<u>4,584,355</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			2,476,426		5,525,814
PROVISIONS FOR LIABILITIES	22		<u>47,472</u>		<u>49,845</u>
NET ASSETS			<u>2,428,954</u>		<u>5,475,969</u>
CAPITAL AND RESERVES					
Called up share capital	23		100		100
Retained earnings	24		<u>2,428,854</u>		<u>5,475,869</u>
SHAREHOLDERS' FUNDS			<u>2,428,954</u>		<u>5,475,969</u>

The financial statements were approved by the Board of Directors on 7 February 2020 and were signed on its behalf by:

P A Lion - Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2017	100	5,550,781	5,550,881
Changes in equity			
Dividends	-	(200,000)	(200,000)
Total comprehensive income	-	125,088	125,088
Balance at 31 December 2017	100	5,475,869	5,475,969
Changes in equity			
Total comprehensive income	-	(3,047,015)	(3,047,015)
Balance at 31 December 2018	100	2,428,854	2,428,954

The notes form part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Cash flows from operating activities			
Cash generated from operations	1	(627,506)	164,274
Interest paid		(10,431)	-
Tax paid		-	(325,449)
Taxation refund		77,244	-
Net cash from operating activities		<u>(560,693)</u>	<u>(161,175)</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(60,876)	(99,379)
Sale of tangible fixed assets		575	-
Interest received		79	238
Net cash from investing activities		<u>(60,222)</u>	<u>(99,141)</u>
Cash flows from financing activities			
Amount introduced by directors		800,050	11,546
Amount withdrawn by directors		(261,733)	(475,700)
Equity dividends paid		-	(200,000)
Net cash from financing activities		<u>538,317</u>	<u>(664,154)</u>
Decrease in cash and cash equivalents		<u>(82,598)</u>	<u>(924,470)</u>
Cash and cash equivalents at beginning of year	2	<u>(250,482)</u>	673,988
Cash and cash equivalents at end of year	2	<u>(333,080)</u>	<u>(250,482)</u>

The notes form part of these financial statements

NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2018	2017
	£	£
Loss before taxation	(3,301,380)	(382,802)
Depreciation charges	102,428	102,262
(Profit)/loss on disposal of fixed assets	(105)	1,892
Freehold property impairment	115,270	-
Finance costs	10,431	-
Finance income	(79)	(238)
	<u>(3,073,435)</u>	<u>(278,886)</u>
Decrease/(increase) in stocks	32,860	(573,939)
Decrease in trade and other debtors	720,973	1,667,765
Increase/(decrease) in trade and other creditors	<u>1,692,096</u>	<u>(650,666)</u>
Cash generated from operations	<u>(627,506)</u>	<u>164,274</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2018

	31.12.18	1.1.18
	£	£
Cash and cash equivalents	16,578	51,364
Bank overdrafts	<u>(349,658)</u>	<u>(301,846)</u>
	<u>(333,080)</u>	<u>(250,482)</u>

Year ended 31 December 2017

	31.12.17	1.1.17
	£	£
Cash and cash equivalents	51,364	673,988
Bank overdrafts	<u>(301,846)</u>	<u>-</u>
	<u>(250,482)</u>	<u>673,988</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. STATUTORY INFORMATION

Rockford Components Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

3. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention.

Significant judgements and estimates

In preparing these financial statements the directors have made the following significant judgements and estimates:

Tangible fixed assets

Tangible fixed assets are depreciated over their estimated useful economic lives taking into account, where relevant, their estimated residual values. Useful economic lives and residual values are re-assessed annually and amended as considered necessary to reflect economic utilisation and physical condition of the assets.

Stocks

The allowance made by the company for obsolete stock items is determined by taking into account a number of factors such as technical obsolescence, traceability issues and likelihood of future use in production.

Turnover

Turnover represents sales of goods and services, derived from ordinary activities, net of VAT and trade discounts. Turnover is recognised either on delivery or, when appropriate, where there is a right to consideration based on contract performance.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Know how are being amortised evenly over their estimated useful life of four years.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

3. ACCOUNTING POLICIES - continued

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Freehold property	- 2% on cost
Long leasehold land	- not provided
Improvements to property	- 10% on cost
Plant and machinery	- 25% on reducing balance
Motor vehicles	- 25% on reducing balance
Computer equipment	- 25% on cost

Land is not depreciated.

Stocks

Stocks relate to materials, components and consumables which have not been utilised in the manufacture of product as at the statement of financial position date. Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete items.

The directors determine the allowance for obsolete stock items by way of a three stage process. The first stage is to identify obsolete stock items relating to particular major contracts. The second stage involves the identification of stock items which are not commonly used across any recent or current contracts. Obsolete stock items identified at stages one and two are written down to nil.

The third stage of the process is based on the directors view that most large projects have a four year production cycle with a further two years of high spares usage due to intense testing. After the first six years relevant stock items usage reduces over a period of a further five years and hence on this basis a 20% write down is made each year.

Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, bank overdrafts, invoice discounting and loans with related parties.

Debt instruments that are payable or receivable within one year, such as trade payables or receivables, are measured at the undiscounted amount of the cash or other consideration expected to be paid or received. Debt instruments that are repayable or receivable after one year are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method.

Financial assets that are measured at cost and amortised cost are assessed at the end of each financial year for evidence of impairment. If objective evidence of impairment is found an impairment loss is recognised in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

3. ACCOUNTING POLICIES - continued

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Pension costs and other post-retirement benefits

The company operates a defined contribution plan for the benefit of its employees. Contributions are expensed as they become payable.

Amounts recoverable on contracts

Amounts recoverable on contracts relate to part complete contracts where the company has gained a right to consideration based on contract performance. The value attributed to amounts recoverable on contracts includes the cost of materials, labour, and an appropriate allocation of overheads.

Impairment of non-financial assets

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each statement of financial position date. If such indication exists, the recoverable amount of the asset is compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

4. GOING CONCERN

The company recorded an operating loss for the year, before exceptional items, of £2,219,718. After exceptional items, tax and interest, the company returned a loss for the year of £3,047,015.

The poor result for 2018 is due to a combination of factors. Against a background of generally difficult trading conditions and Brexit uncertainty, the company maintained its operational capacity throughout 2018 in order to achieve forecasted profitable product builds. Unfortunately two major programmes encountered delays primarily due to engineering and build standard uplifts and these delays directly affected outputs and hence the level of gross profit achieved. Other contracts had also for various reasons become unprofitable and were not contributing towards the company's overhead base.

In November 2018 the directors embarked upon a restructuring of the business in order to reduce the cost base of the company. The first phase of cost reduction was essentially completed by March 2019 with a further phase of ongoing cost reduction commencing in May 2019. A major part of the cost reduction programme has been the identification of production and administration over capacity and inefficiencies particularly in relation to labour costs. In 2018 the average direct labour headcount was 198 and in the eleven month period to November 2019 this average reduced to 157. For 2020 it is forecasted that the average direct labour headcount will be 132. The average indirect labour headcount in 2018 was 79 and this is forecasted to reduce to 43 in 2020.

In September 2019 the company completed a refinancing of its operations by way of a new trade debtor purchase facility and two real property loan facilities. These facilities are further described at note 26. The company continues to benefit from the long term support of its controlling director/shareholder Mrs P A Marks whose director's loan facility is detailed at note 25.

Although 2019 has also been a challenging year, during the second half of the year a number of sales contracts began to stabilise. Furthermore one particular loss making contract has now been brought to an end.

Current economic conditions and UK government policy continue to create uncertainty over the timing and level of demand for the company's products. However, when taken together, the factors noted above should enable the company to return to profitability during 2020. After making enquiries the directors have a reasonable expectation that, with the continued support of stakeholders, the company will continue in operational existence for the foreseeable future and the company therefore continues to adopt the going concern basis in preparing its financial statements.

5. TURNOVER

The turnover and loss before taxation are attributable to the principal activities of the company.

An analysis of turnover by geographical market is given below:

	2018	2017
	£	£
United Kingdom	7,836,690	7,046,602
Europe	546,701	478,721
Rest of the World	995,319	3,123,489
	<u>9,378,710</u>	<u>10,648,812</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

6. OTHER OPERATING INCOME

	2018	2017
	£	£
Rents received	<u>22,400</u>	<u>38,400</u>

7. EMPLOYEES AND DIRECTORS

	2018	2017
	£	£
Wages and salaries	5,579,081	5,064,007
Social security costs	465,294	421,101
Other pension costs	<u>56,638</u>	<u>27,652</u>
	<u>6,101,013</u>	<u>5,512,760</u>

The average number of employees during the year was as follows:

	2018	2017
Office, technical and management	84	82
Production	<u>198</u>	<u>183</u>
	<u>282</u>	<u>265</u>

	2018	2017
	£	£
Directors' remuneration	320,635	428,659
Directors' pension contributions to money purchase schemes	<u>2,108</u>	<u>968</u>

The number of directors to whom retirement benefits were accruing was as follows:

	2018	2017
Money purchase schemes	<u>3</u>	<u>3</u>

Information regarding the highest paid director is as follows:

	2018	2017
	£	£
Emoluments etc	89,133	104,010
Pension contributions to money purchase schemes	<u>702</u>	<u>386</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

8. EXCEPTIONAL ITEMS

In view of current economic conditions and the continuing delays by the UK government in deciding when or whether to invest in new fighting vehicles or the upgrading of legacy vehicles, the directors have changed their estimate of the likely use in production of the company's stocks. Further details regarding the directors methods of estimation in respect of the required obsolete stock provision is described within note 3 - Accounting Policies. As a result of the directors change in estimation methods a stock write down of £956,040 has been charged to the statement of comprehensive income for the year ended 31 December 2018.

During the year the company's freehold property was valued for the purposes of a refinancing arrangement. The valuation gave rise to an impairment charge of £115,270.

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018	2017
	£	£
Bank interest	<u>10,431</u>	<u>-</u>

10. LOSS BEFORE TAXATION

The loss is stated after charging/(crediting):

	2018	2017
	£	£
Depreciation - owned assets	102,428	102,262
(Profit)/loss on disposal of fixed assets	(105)	1,892
Auditors' remuneration - audit work	13,000	12,500
Foreign exchange differences	<u>6,198</u>	<u>(9,070)</u>

11. TAXATION**Analysis of the tax credit**

The tax credit on the loss for the year was as follows:

	2018	2017
	£	£
Current tax:		
UK corporation tax	(251,992)	(272,209)
Adjustment in respect of earlier years (R & D claim)	<u>-</u>	<u>(239,409)</u>
Total current tax	(251,992)	(511,618)
Deferred tax:		
Origination and reversal of timing differences	<u>(2,373)</u>	<u>3,728</u>
Tax on loss	<u>(254,365)</u>	<u>(507,890)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

11. TAXATION - continued**Reconciliation of total tax credit included in profit and loss**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £	2017 £
Loss before tax	<u>(3,301,380)</u>	<u>(382,802)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.247%)	(627,262)	(73,678)
Effects of:		
Expenses not deductible for tax purposes	28,065	13,871
Effect of movement of tax rate on deferred taxation	-	(48)
Refund relating to earlier years R & D tax claims	-	(239,409)
Refund relating to current year R & D tax credit claim	(251,992)	(206,138)
Effect on different tax rate obtained on carry back of losses to 2016	-	(2,488)
Unprovided tax relief on trading losses carried forward	453,260	-
Losses used as part of R & D tax credit claim	143,564	-
Total tax credit	<u>(254,365)</u>	<u>(507,890)</u>

12. DIVIDENDS

	2018 £	2017 £
Final	<u>-</u>	<u>200,000</u>

13. INTANGIBLE FIXED ASSETS

	Know how £
COST	
At 1 January 2018	
and 31 December 2018	<u>95,000</u>
AMORTISATION	
At 1 January 2018	
and 31 December 2018	<u>95,000</u>
NET BOOK VALUE	
At 31 December 2018	<u>-</u>
At 31 December 2017	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

14. TANGIBLE FIXED ASSETS

	Freehold property £	Long leasehold land £	Improvements to property £
COST			
At 1 January 2018	683,790	65,000	197,583
At 31 December 2018	683,790	65,000	197,583
DEPRECIATION			
At 1 January 2018	106,044	-	101,208
Charge for year	12,476	-	18,245
Eliminated on disposal	-	-	-
Impairments	115,270	-	-
At 31 December 2018	233,790	-	119,453
NET BOOK VALUE			
At 31 December 2018	450,000	65,000	78,130
At 31 December 2017	577,746	65,000	96,375

	Plant and machinery £	Motor vehicles £	Computer equipment £	Totals £
COST				
At 1 January 2018	721,675	68,469	166,148	1,902,665
Additions	52,256	-	8,620	60,876
Disposals	-	(4,000)	-	(4,000)
At 31 December 2018	773,931	64,469	174,768	1,959,541
DEPRECIATION				
At 1 January 2018	591,741	50,769	111,444	961,206
Charge for year	39,164	4,400	28,143	102,428
Eliminated on disposal	-	(3,530)	-	(3,530)
Impairments	-	-	-	115,270
At 31 December 2018	630,905	51,639	139,587	1,175,374
NET BOOK VALUE				
At 31 December 2018	143,026	12,830	35,181	784,167
At 31 December 2017	129,934	17,700	54,704	941,459

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

14. TANGIBLE FIXED ASSETS - continued

Included in the cost of freehold property is land of £60,000 (2017 - £60,000) which is not depreciated.

During June 2019 the company's freehold property was independently valued for the purposes of a refinancing being undertaken. The market value of the property was considered to be £450,000 and hence an impairment of £115,270 has been charged to the statement of comprehensive income.

15. STOCKS

	2018	2017
	£	£
Materials, components and consumables	<u>4,343,676</u>	<u>4,376,536</u>

16. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Trade debtors	1,659,893	1,796,913
Amounts recoverable on contracts	232,967	819,615
Other debtors	31,405	56,422
Tax	446,957	272,209
Prepayments and accrued income	<u>150,421</u>	<u>122,709</u>
	<u>2,521,643</u>	<u>3,067,868</u>

Included within trade debtors are balances totalling £1,232,025 (2017 - £Nil) which are subject to invoice discounting arrangements. These trade debtor balances have been transferred to the counterparty, though the transaction does not qualify for derecognition on the basis that the late payment risk is retained by the company. The associated liability recognised in creditors amounts to £902,907 (2017 - £Nil).

Included within the total tax debtor of £446,957 is £251,992 relating to the company's 2018 R&D Tax Relief claim. The claim, which has been prepared by professional consultants, has not yet been submitted to HMRC for approval.

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Bank loans and overdrafts (see note 18)	349,658	301,846
Payments on account	11,115	129,865
Trade creditors	1,763,032	844,972
Invoice discounting facility	902,907	-
Social security and other taxes	121,461	120,200
VAT	156,093	98,286
Other creditors	50,673	57,835
SiG funds repayable	16,148	107,652
Directors' current accounts	1,646,947	1,108,630
Accrued expenses	<u>171,604</u>	<u>142,127</u>
	<u>5,189,638</u>	<u>2,911,413</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued

Included in directors' current accounts is £1,606,985 (2017 - £1,066,645) owed to Mrs P A Marks, the widow of the late director J V T Marks. This amount has no fixed date for repayment and no interest is payable on the amount outstanding. Mrs P A Marks has confirmed that repayment will not be sought until the company's cashflow permits.

18. LOANS

An analysis of the maturity of loans is given below:

	2018	2017
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>349,658</u>	<u>301,846</u>

19. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2018	2017
	£	£
Within one year	4,860	4,860
Between one and five years	<u>2,430</u>	<u>7,290</u>
	<u>7,290</u>	<u>12,150</u>

20. SECURED DEBTS

The following secured debts are included within creditors:

	2018	2017
	£	£
Bank overdrafts	349,658	301,846
Invoice discounting facility	<u>902,907</u>	<u>-</u>
	<u>1,252,565</u>	<u>301,846</u>

The company's bank and invoice discounting facilities are secured by way of fixed and floating charges over the company's assets and undertaking.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

21. FINANCIAL INSTRUMENTS

	2018 £	2017 £
Financial assets		
Cash and cash equivalents	16,578	51,364
Financial assets measured at amortised cost	<u>1,892,860</u>	<u>2,616,528</u>
	<u>1,909,438</u>	<u>2,667,892</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>4,689,806</u>	<u>2,492,965</u>
	<u>4,689,806</u>	<u>2,492,965</u>

Financial assets measured at amortised cost comprise debtors due within one year.

Financial liabilities measured at amortised cost comprise creditors due within one year.

22. PROVISIONS FOR LIABILITIES

	2018 £	2017 £
Deferred tax		
Accelerated capital allowances	<u>47,472</u>	<u>49,845</u>
		Deferred tax £
Balance at 1 January 2018		49,845
Credit to Statement of Comprehensive Income during year		<u>(2,373)</u>
Balance at 31 December 2018		<u>47,472</u>

Deferred tax is provided for at a rate of 19% (2017 - 19%).

It is not practicable to estimate future movements in deferred tax balances as a result of accelerated capital allowances due to the uncertainty as to the timing of future asset purchases.

23. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2018 £	2017 £
100	Ordinary	£1	<u>100</u>	<u>100</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

24. RESERVES

	Retained earnings £
At 1 January 2018	5,475,869
Deficit for the year	<u>(3,047,015)</u>
At 31 December 2018	<u>2,428,854</u>

25. RELATED PARTY DISCLOSURES**Rockford Xellerix Computer Systems LLC**

Rockford Xellerix Computer Systems LLC was formed to give access to the MENA region and has its head office in Abu Dhabi and a 3000 square metre manufacturing facility on the Tawazun Industrial Park. Rockford Xellerix Computer Systems LLC is an offset compliant Emirati company, controlled by the directors P A Lion and S D Hayter which has a 51% local Emirati shareholder and sponsor in accordance with UAE law.

The relationship between the two companies is treated as any other export customer/supplier relationship with Rockford Components Limited having 'preferred supplier' status with Rockford Xellerix Computer Systems LLC.

During the year the company made sales to Rockford Xellerix Computer Systems LLC totalling £609,438 (2017 - £3,084,055) and purchased goods and services therefrom totalling £Nil (2017 - £7,937). At the statement of financial position date the following amounts were due from Rockford Xellerix Computer Systems LLC:-

	2018 £	2017 £
Trade amounts due from related party	437,636	915,655

Mrs P A Marks

A director of the company

Included in creditors due within one year is £1,606,985 (2017 - £1,066,645) owed to Mrs P A Marks, the widow of the late director J V T Marks. This amount has no fixed date for repayment and no interest is payable on the amount outstanding. Mrs P A Marks has confirmed that repayment will not be sought until the company's cashflow permits.

During the year the company operated partly from two sites owned personally by the late director J V T Marks. No rent was charged to the company. Ownership of these sites has now been transferred to Mrs P A Marks.

After the statement of financial position date the company undertook a refinancing consisting of a debt purchase facility and two real property loan facilities. These facilities are secured on the company's assets but also on the two sites owned by Mrs P A Marks personally.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2018

25. RELATED PARTY DISCLOSURES - continued

S D Hayter

A director of the company until 5 September 2019

During the year the company paid dividends totalling £Nil (2017 - £100,000) to S D Hayter.

	2018	2017
	£	£
Amount due to related party at the balance sheet date	<u>39,962</u>	<u>39,911</u>

P A Lion

A director of the company

During the year the company paid dividends totalling £Nil (2017 - £100,000) to P A Lion.

	2018	2017
	£	£
Amount due to related party at the balance sheet date	<u>-</u>	<u>2,073</u>

During the year, a total of key management personnel compensation of £ 322,743 (2017 - £ 429,627) was paid.

26. POST BALANCE SHEET EVENTS

After the statement of financial position date the company undertook a refinancing consisting of a debt purchase facility and two real property loan facilities. These facilities are secured on the company's assets but also on two sites utilised by the company but which are owned personally by the controlling director/shareholder Mrs P A Marks. The facilities made available totalled £2,250,000 and carry interest/discount margin at rates between 2.95% - 3.95% above bank base rate subject to a minimum base rate of 0.5%.The real property loan facilities are repayable over a period of 84 months.

27. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Mrs P A Marks.

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