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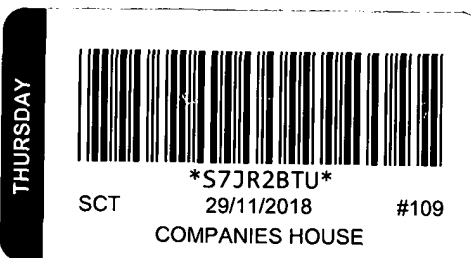
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**Company Registration No. SC 519873**

**Applus Aerospace UK Limited**

**Annual Report and Financial Statements**

**For the year ended 31 December 2017**



# **Applus Aerospace UK Limited**

## **Report and financial statements 2017**

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# **Applus Aerospace UK Limited**

## **Officers and professional advisers**

### **Directors**

S Voulon  
N Henderson (appointed 27 July 2018)  
N Hannah (resigned 27 July 2018)

### **Secretary**

T Lafferty

### **Registered Office**

Block 2 Units C and D  
West Mains Industrial Estate  
Grangemouth  
Stirlingshire  
FK3 8YE

### **Bankers**

Citibank NA  
Citigroup Centre  
Canada Square  
Canary Wharf  
London  
E14 5LB

### **Solicitors**

Shepherd and Wedderburn  
1 Exchange Crescent  
Conference Square  
Edinburgh  
EH3 8UL

### **Independent auditor**

Deloitte LLP  
Glasgow  
United Kingdom

# Applus Aerospace UK Limited

## Strategic report

The directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

### Principal activity

The company was incorporated on 9 November 2015 and on 19 November 2015 purchased the trade and assets of the Aerospace business from Caparo Testing Technologies. These financial statements cover the year ended 31 December 2017.

The company's principal activity is the provision of inspection and NDT (Non Destructive Testing) services for the aeronautics and industrial sector.

Applus Aerospace UK Limited is a leading provider of technical assurance through non-destructive testing, inspection, and certification to the aerospace industry in the UK. We deliver the highest quality service through our highly qualified specialist staff and industry leading techniques and technology.

### Business review, future developments and principal risks and uncertainties

Applus Aerospace UK Limited is part of the Applus Group, a publicly quoted company and a leader in the field of test, inspection and certification. This gives us direct access to market leading technology, unparalleled technical expertise and industry specific knowledge. We operate in a range of sectors in our target industries, the main being the Aerospace industry.

The company is focused on ensuring the highest standards of health and safety in our working environment and monitors these closely in our management control systems. We have a similar focus on quality and maintain investment in training to ensure that our technicians are qualified to the highest standard.

The company delivers our services via our technicians and our financial performance is determined by how well we do this. This fundamental business driver is reflected in the key performance indicators (KPIs) we use to monitor and improve our profitability. The main KPIs are Revenue per employee and Operating profit per employee. We also concentrate on the general financial strength from our activities and monitor performance using KPIs of Current Ratio and Debtor Days.

	31 December 2017	31 December 2016	Measure
Debtor days	82	61	Days sales outstanding (count back method)
Revenue per employee (£000)	67.59	72.63	Turnover/average number of employees
Operating profit per employee (£000)	2.22	13.47	Operating or profit average number of employees

The company made a profit of £53,631 (2016: loss of £23,975) in 2017 as management developed a more stable operational environment. There were costs incurred in implementing stability, which, along with disposals of fixed assets at a loss, drove the reduction in operating profit per employee. A major factor in returning to profit was restructuring the funding of the business in late 2016 to align the interest burden to its ongoing operational performance. The principal risks and uncertainties affecting the business include the following:

- Credit risk: The principal financial assets are trade debtors, other debtors, amounts owed by fellow group undertaking, and bank balances. The company's credit risk is primarily attributable to its trade debtors and is managed through maintaining good customer relationships and the monitoring of credit levels and settlement periods. The company also utilises facilities from national and international credit rating agencies to ensure the certainty of our receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables.
- Liquidity risk: In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company can make use of group funding if required

## **Applus Aerospace UK Limited**

### **Strategic report (continued)**

- **Cash flow risk:** In order to manage cash flow risk management carryout regular review of the working capital movements in order to minimise risk.
- **Health and Safety:** Health and Safety risks are continually assessed by group management. In the current period additional focus was placed on developing a plan to ensure continuing improvement in Health and Safety management.
- **Environmental risks:** The company places considerable emphasis upon environmental compliance in each of its divisions and not only seeks to ensure ongoing compliance with relevant legislation but also strives to ensure that environmental best practice is incorporated into its key processes.
- **Commercial relationships:** The company maintains strong relationships with each of its key customers and has established credit control parameters. There is a rigorous control procedure for cash flow which includes regular review of collections and payments to minimise the risks to liquidity.
- **The effect of legislation or other regulatory activities:** The company monitors forthcoming and current legislation regularly.
- **Brexit:** Based on current available information management do not foresee Brexit having a significant impact on the business. However, management take into consideration the new developments related to the Brexit process and consider their potential impact on the company.

Key areas of future development and performance of the business include:

- **Competitive advantage:** The company focuses on areas where it has a competitive advantage, which places it well in terms of superior long term income/cash flow growth potential.
- **Health and Safety:** The company continues to seek ways of ensuring that a safe and healthy working environment is progressively improved.

## **Applus Aerospace UK Limited**

### **Strategic report (continued)**

#### **Going concern**

The directors have considered the trading outlook for the company, taken into account recent changes in the economic outlook of our target sectors, reviewed the reasonably possible changes in trading performance and determined that the company should be able to operate within its existing cash resources and cash flow from future trading activities. The directors, therefore, have a reasonable expectation that the company has adequate financial resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual reports and financial statements.

Approved by the Board of Directors  
and signed on behalf of the Board



Nicholas Henderson  
Director

26 NOVEMBER 2018

# **Applus Aerospace UK Limited**

## **Directors' report**

The directors present their annual report, together with the audited financial statements of the company, for the year ended 31 December 2017.

### **Results**

The profit for the period, after taxation, amounted to £53,630 (2016: loss of £23,975).

### **Dividends**

No dividend was declared in respect of the 2017 financial year (2016: none).

### **Events after the balance sheet**

No events after the balance sheet date have been identified by the directors which would have an impact on the balance sheet at 31 December 2017 or the result for the year.

### **Directors**

The directors of the company who served during the period and to the date of this report are listed on page 1.

### **Health, safety and the environment**

It has always been the company's policy to pay the greatest attention to ensure safe working conditions for all employees. Whether in our offices, yards, workshops or sites this approach will continue to be our fundamental attitude on all matters of Health, Safety and the Environment. In fulfilling this commitment, the company will continue to provide and maintain a safe working environment as indicated by acceptable business practices and compliance with legislative requirements and we will strive to eliminate any foreseeable hazards which may result in fire, damage to property and personal injury or illness.

The company considers the promotion of the Health and Safety of its employees at work to be an essential part of the line managers' duties for which they are accountable at all levels. However, the company expects its employees on their part to recognise that equally there is a clear duty on them to exercise self-discipline and accept responsibility to do everything they can to prevent injury to themselves and others and loss to the company.

### **Employee involvement**

The company has channels of communication with employees on business development, company performance and matters of general concern.

### **Employment of disabled persons**

The company gives full and fair consideration to applications for employment made by disabled persons, has continued whenever possible the employment of persons who became disabled while they are with the company and has ensured continuing training, career development and opportunities for the promotion of disabled persons employed by it.

### **Financial risk management, future developments and going concern**

Financial risk management, future developments and going concern are discussed within the Strategic report on pages 2-4.

## **Applus Aerospace UK Limited**

### **Directors' report (continued)**

#### **Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information as defined in the Companies Act 2006 of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director on order to make himself aware of any relevant audit information as defined in the Companies Act 2006 and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP has expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be re-appointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



Nicholas Henderson  
Director

26 November 2018



## **Applus Aerospace UK Limited**

### **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial period. 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 101 'Reduced Disclosure Framework'. 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 judgments and accounting 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 members of Applus Aerospace UK Limited**

### **Opinion**

In our opinion the financial statements of Applus Aerospace UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We 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 Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

## **Independent auditor's report to the members of Applus Aerospace UK Limited**

### **Other information**

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

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 respect of these matters.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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 any material misstatements in the strategic report or the directors' report.

## **Independent auditor's report to the members of Applus Aerospace UK Limited**

### **Matters on which we are required to report by exception**

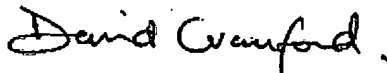
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

### **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.



David Crawford CA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Glasgow, United Kingdom  
28 November 2018

## Applus Aerospace UK Limited

### Profit and loss account For the year ended 31 December 2017

		Year ended 31 December 2017 £	Period to 31 December 2016 £
	Notes		
Turnover	4	5,136,992	5,374,883
Cost of sales		(3,205,899)	(3,218,369)
Gross profit		1,931,093	2,156,514
Administrative expenses		(1,749,512)	(1,849,684)
Other operating loss	7	(39,118)	(5,359)
Operating profit	5	142,463	301,471
Finance charges	8	(68,019)	(312,455)
Profit/(loss) before taxation		74,444	(10,984)
Tax charge on profit/(loss)	9	(20,814)	(12,991)
Profit/(loss) for the financial period		53,630	(23,975)

Profit/(loss) for the period has been generated from continuing operations. No separate statement of comprehensive income has been presented because the company has no other comprehensive income other than the profit/(loss) for the period.

The notes on pages 14 to 23 form an integral part of these financial statements.

# Applus Aerospace UK Limited

## Balance sheet As at 31 December 2017

	Note	31 December 2017 £	31 December 2016 £
<b>Fixed assets</b>			
Goodwill	11	6,469,983	6,469,983
Tangible assets	10	717,482	831,255
		<u>7,187,465</u>	<u>7,301,238</u>
<b>Current assets</b>			
Debtors	12	1,351,806	1,266,959
Cash at bank and in hand		249	225
		<u>1,352,055</u>	<u>1,267,184</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(1,453,451)</u>	<u>(1,534,243)</u>
<b>Net current liabilities</b>		<u>(101,396)</u>	<u>(267,059)</u>
<b>Total assets less current liabilities</b>		<u>7,085,069</u>	<u>7,034,179</u>
<b>Creditors: amounts falling due after one year</b>	14	<u>(3,173,000)</u>	<u>(3,173,000)</u>
<b>Deferred tax liability</b>		<u>(5,913)</u>	<u>(7,653)</u>
<b>Net assets</b>		<u>3,907,156</u>	<u>3,853,526</u>
<b>Capital and reserves</b>			
Called up share capital	16	3,877,501	3,877,501
Profit and loss account		29,655	(23,975)
<b>Shareholders' funds</b>		<u>3,907,156</u>	<u>3,853,526</u>

The notes on pages 14 to 23 form an integral part of these financial statements.

The financial statements of Applus Aerospace UK Limited, registered number SC519873 were approved by the board of directors and authorised for issue on 2018.

*26 November*

Signed on behalf of the Board of Directors

Nicholas Henderson  
Director



## Applus Aerospace UK Limited

### Statement of changes in equity For the year ended 31 December 2017

	Called up share capital £	Profit and loss account £	Total £
Balance at 31 December 2016	3,877,501	(23,975)	3,853,526
Profit for the financial year	-	53,630	53,630
Balance at 31 December 2017	<u>3,877,501</u>	<u>29,655</u>	<u>3,907,156</u>

	Called up share capital £	Profit and loss account £	Total £
Balance at 9 November 2015	-	-	-
Shares issued (note 16)	3,877,501	-	3,877,501
Loss for the financial period	-	(23,975)	(23,975)
Balance at 31 December 2016	<u>3,877,501</u>	<u>(23,975)</u>	<u>3,853,526</u>

# **Applus Aerospace UK Limited**

## **Notes to the financial statements (continued) For the year ended 31 December 2017**

### **1. General information**

Applus Aerospace UK Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 (the 'Act') and registered in England and Wales. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Strategic Report on pages 2 to 4.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates. This is the second accounting period since incorporation.

### **2. Accounting policies**

The following accounting policies have been applied consistently over the accounting period in dealing with items which are considered material in relation to the company's financial statements.

#### **Basis of accounting**

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement, the financial risk management disclosures, disclosures in respect of financial instruments and related party transactions. Where relevant, equivalent disclosures have been given in the group accounts of Applus Services SA, a company incorporated in Spain. Copies of their financial statements are publicly available as described in Note 19.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

#### **New and amended standards**

The company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual financial statements of the company. The nature and the impact of each new standard or amendment is described below:

#### **Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses**

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The company applied the amendments retrospectively. However, their application has no effect on the company's financial position and performance as the company has no deductible temporary differences or assets that are in the scope of the amendments.

#### **Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12**

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

As at 31 December 2017 the company had none of its investments classified as held for sale and therefore there is no impact of this amendment on the financial statements of the company.



## **Applus Aerospace UK Limited**

### **Notes to the financial statements (continued) For the year ended 31 December 2017**

#### **2. Accounting policies (continued)**

##### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for rebates and other similar allowances.

##### **Rendering of services**

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

##### **Going concern**

The company's business activities, together with the factors likely to affect its future prospects, are discussed in the strategic report on pages 2 to 4. After making enquires, the directors have a reasonable expectation that the company has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

##### **Tangible fixed assets**

Tangible fixed assets are stated at cost, less depreciation and any provision for impairment. The value of fixed assets is reviewed annually by directors or more frequently if there is a triggering event and provision made where the fixed asset's carrying amount exceeds its recoverable amount. Depreciation is provided to write off the cost less the residual value of tangible fixed assets, by equal instalments over their expected useful life, as follows:

Short leasehold property	10 - 15 years
Plant and equipment	3 - 10 years

##### **Goodwill**

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the companies cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

## **Applus Aerospace UK Limited**

### **Notes to the financial statements (continued) For the year ended 31 December 2017**

#### **2. Accounting policies (continued)**

##### **Taxation**

Current tax, comprising UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

##### **Dividends on shares presented within shareholders' funds**

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company.

##### **Foreign currencies**

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the transaction date, or at the hedged rate where forward cover is in place. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

##### **Financial instruments**

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at amortised cost.

##### **Loans and receivables**

Trade debtors, loans, and other debtors that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

##### **Other financial liabilities**

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

##### **Pensions**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

##### **Operating leases**

All leases held are operating leases. Rentals under operating leases are charged on a straight line basis over the lease term, even if payments are not made on such a basis.

## **Applus Aerospace UK Limited**

### **Notes to the financial statements (continued)** **For the year ended 31 December 2017**

#### **3. Critical accounting judgements and key sources of estimation uncertainty**

In application of the company's accounting policies, which are described on pages 14-16, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

##### *Impairment of Goodwill*

Determining whether the Company's Goodwill has been impaired requires estimations of the underlying business' value in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the operation of the business and suitable discount rates in order to calculate present values. The carrying amount of Goodwill at the balance sheet date was £6,469,983 (2016: £6,469,983) with no impairment loss recognised in 2017.

No further critical judgements have been made by the directors in applying the company's accounting policies.

#### **4. Turnover**

Turnover represents the amounts derived from the provision of goods and services falling within the company's ordinary activities, stated net of trade discounts and value added tax. Turnover is recognised as the services are provided.

Turnover is attributable to the company's activities as described in the Strategic Report and arises principally in the UK. No further analysis of turnover is provided as the directors consider that such disclosure may be prejudicial to the commercial interests of the company.

## Applus Aerospace UK Limited

### Notes to the financial statements (continued) For the year ended 31 December 2017

#### 5. Operating profit

	2017 £	2016 £
<b>Operating profit is stated after charging:</b>		
Management fees payable to ultimate parent undertaking	191,682	190,674
Depreciation	152,979	58,479
Operating lease rentals		
- Plant and machinery	86,220	109,309
- Land and Buildings	129,257	168,090
- Vehicles	120,311	112,599
Fees payable to the Company's auditor for the audit of the Company's annual accounts	7,000	7,000
Staff costs	2,861,347	3,090,822

#### 6. Information regarding directors and employees

The emoluments in respect of the directors are paid by other group companies and a management fee is payable in respect of these costs.

	No.	No.
<b>Average number of persons employed</b>		
Technical	54	55
Administration	10	11
Managerial	8	8
	<u>72</u>	<u>74</u>
	£	£
Wages and salaries	2,565,463	2,739,388
Social security costs	235,706	279,034
Pension costs	60,178	72,400
	<u>2,861,347</u>	<u>3,090,822</u>

#### 7. Other operating loss

	2017 £	2016 £
Loss on disposal of fixed assets	25,988	-
Currency exchange losses	13,130	5,359
	<u>39,118</u>	<u>5,359</u>

# Applus Aerospace UK Limited

## Notes to the financial statements (continued) For the year ended 31 December 2017

### 8. Finance charges

	2017 £	2016 £
Interest payable and similar expenses	68,019	312,455
	<u>68,019</u>	<u>312,455</u>

### 9. Tax on profit on ordinary activities

	2017 £	2016 £
<i>UK corporation tax:</i>		
Tax charge for the current period	-	5,338
Adjustments in respect of prior periods	22,554	-
Total current tax charge	<u>22,554</u>	<u>5,338</u>
<i>Deferred tax:</i>		
Originating and reversal of timing differences	(2,868)	7,653
Adjustments in respect of prior periods	1,128	-
Total deferred tax (credit)/charge (note 15)	<u>(1,740)</u>	<u>7,653</u>
Total tax charge for the period	<u>20,814</u>	<u>12,991</u>

#### Factors affecting current tax charge:

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are reconciled below:

	2017 £	2016 £
Profit/(loss) before taxation	<u>74,444</u>	<u>(10,984)</u>
Profit/(loss) before taxation multiplied by effective rate of corporation tax in the UK of 19.25% (2016: 20%)	14,328	(2,197)
Effects of:		
Fixed asset differences	12,469	6,574
Expenses not deductible for tax purposes	355	992
Group Relief claimed	(30,398)	-
Adjustments to tax in respect of previous periods	22,554	-
Adjustments to tax in respect of previous periods (deferred tax)	1,128	-
Adjust closing deferred tax to average rate (19.25%)	(781)	(1,350)
Adjust opening deferred tax to average rate (19.25%)	1,160	-
Other timing differences	-	8972
Rounding	(1)	-
Current tax charge for the period	<u>20,814</u>	<u>12,991</u>

## Applus Aerospace UK Limited

### Notes to the financial statements (continued) For the year ended 31 December 2017

#### 10. Tangible fixed assets

	Short leasehold properties £	Plant and equipment £	Total £
<b>Cost</b>			
At 31 December 2016	239,221	650,513	889,734
Disposal	-	(64,689)	(64,689)
Additions	55,242	48,653	103,895
At 31 December 2017	294,463	634,477	928,940
<b>Depreciation</b>			
At 31 December 2016	6,168	52,311	58,479
Disposal	-	(37,012)	(37,012)
Charge for period	22,078	167,913	189,991
At 31 December 2017	28,246	183,212	211,458
<b>Net book values</b>			
At 31 December 2017	266,217	451,265	717,482
At 31 December 2016	233,053	598,202	831,255

#### 11. Goodwill

	£
<b>Cost</b>	
At 31 December 2016 and at 31 December 2017	6,469,983
<b>Accumulated impairment losses</b>	
At 31 December 2016 and 31 December 2017	-
<b>Carrying amount</b>	
At 31 December 2017 and at 31 December 2017	6,469,983

Goodwill has been assessed for impairment at the balance sheet date. The directors of the company have prepared a discounted cash flow analysis which shows comfortable headroom when compared to the carrying value of Goodwill. Within this analysis the directors have looked at a three year period, assumed a discount rate of 7.4% (2016: 9.2%), terminal growth of 2% and growth in line with forecast.

## **Applus Aerospace UK Limited**

### **Notes to the financial statements (continued) For the year ended 31 December 2017**

#### **12. Debtors**

	2017 £	2016 £
Trade debtors	1,143,402	1,007,420
Prepayments and accrued income	208,404	259,539
	<u>1,351,806</u>	<u>1,266,959</u>

#### **13. Creditors: amounts falling due within one year**

	2017 £	2016 £
Trade creditors	135,352	140,062
Amounts owed to fellow group undertakings	882,249	1,055,299
Corporation tax	27,893	5,338
Other taxation and social security	224,608	204,407
Accruals and deferred income	183,349	129,137
	<u>1,453,451</u>	<u>1,534,243</u>

Amounts owed to group companies are repayable on demand, unsecured and are non-interest bearing.

## Applus Aerospace UK Limited

### Notes to the financial statements (continued) For the year ended 31 December 2017

#### 14. Creditors: amounts falling due after one year

	2017 £	2016 £
Amounts owed to fellow group undertakings	3,173,000	3,173,000
	<u>3,173,000</u>	<u>3,173,000</u>

Amounts payable to group undertakings accrue interest at 4% and are repayable on 13 May 2019. Accrued interest is included within amounts owed to fellow group undertakings within one year as this is repayable quarterly in arrears.

#### 15. Deferred tax provision

	£
As at 31 December 2016	7,653
Credited to the profit and loss account (note 9)	(1,740)
Liability as at 31 December 2017	<u>5,913</u>

The deferred tax provision reflects the following:

	2017 £	2016 £
Capital allowances less than depreciation	7,465	14,002
Other timing differences	(1,552)	(6,349)
Total deferred tax liability	<u>5,913</u>	<u>7,653</u>

The standard rate of UK corporation tax reduced from 21% to 20% on 1 April 2015. The 2016 Finance Act received Royal Assent on 15 September 2016 which has reduced the rate further to 19% from 1 April 2017, and to 17% from 1 April 2020. These reductions will reduce the company's future tax charge accordingly.

#### 16. Called up share capital

	2017 £	2016 £
Allotted, called-up and fully paid:		
Ordinary shares of £1 each	<u>3,877,501</u>	<u>3,877,501</u>

Shares issued in the prior period comprise of 1 share of £1 on incorporation and 3,877,500 £1 shares issued on 1 December 2016 as part of the debt for equity swap with Applus RTD Holdings Ltd regarding the £7.05m acquisition loan.



## Applus Aerospace UK Limited

### Notes to the financial statements (continued) For the year ended 31 December 2017

#### 17. Other financial commitments

The annual commitments under non-cancellable operating leases are as set out below:

	Land and buildings 2017 £	Other 2017 £	Land and buildings 2016 £	Other 2016 £
Future minimum payments:				
Within one year	122,681	79,579	120,109	26,454
Within two to five years	369,336	159,876	384,657	61,349
	<u>492,017</u>	<u>239,455</u>	<u>504,766</u>	<u>87,803</u>

The company leases various offices across the UK, with the leases expiring at various dates from 2017 to 2021. Other leases relates to various plant and machinery as well as vehicles. All other leases expire between 2017 and 2021.

#### 18. Contingent liabilities

Contingent liabilities arise in the ordinary course of business in connection with the completion of contracts in accordance with specification and those involving normal recourse agreements. The company also granted cross guarantees in respect of a group syndicate bank loan. The maximum liability under these guarantees is unlimited.

#### 19. Ultimate holding company

The company's immediate holding company is Applus RTD UK (Holdings) Limited, a company registered in Scotland. The directors regard Applus Services SA., a company registered in Spain, as the controlling party and ultimate parent company. This is both the smallest and largest company within which the results of the company are consolidated. The accounts of Applus Services SA are available from their registered office at Campus UAB Carretera Acceso a la Facultad de Medicina s/n, Bellaterra 08193, Barcelona, Spain.

#### 20. Related party transactions

The company has taken advantage of the exemption under paragraph 3(C) from the provisions of IAS 24, 'Related Party Disclosures', from disclosing related party transactions with fellow Group companies on the grounds that throughout the period it was a wholly owned subsidiary of a group headed by the Applus Services SA whose financial statements are publicly available. There were no other related party transactions.