Registered number: 00962980

TURBO-UNION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

TURBO-UNION LIMITED

CONTENTS

COMPANY INFORMATION

Directors	S F Baldwin K Guenther M Majewski P Palmieri M J Smith U Wehking A Squillante
Registered number	00962980
Registered office	Moor Lane Derby Derbyshire DE24 8BJ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Bristol BS2 0FR

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the Strategic Report of Turbo-Union Limited (the "Company") for the year ended 31 December 2018.

Principal activities

The principal activity of the business is a joint venture which contracts the production, supply of spares, and support for the Tornado Aircraft. Turbo Union supports the engines in service with the UK Royal Air Force, German Air Force, Italian Air Force and Royal Saudi Air Force continues as in previous years.

Business review

At year-end 2018, the number of Tornado aircraft in service amounts to 220. Due to the UK Tornado fleet being phased out, a further reduction of the remaining 25 aircraft down to zero has taken place at the Royal Air Force in 1st Quarter 2019. Engine flying hours (EFH) amounted to 76,000 by the end of 2018, with the Royal Saudi Air Force being the main contributor at 24,000 EFH. The number of engine flying hours since programme start has thus reached a total of approximately 7 million hours.

The key performance indicator for the business is the flow through billings. At year-end 2018, the billings volume with the European Customer NETMA accumulated to €49.0m (2017: €51.2m). The reduction in billings over the one-year period is mainly due to the UK Royal Air Force's continued phasing out of its Tornado fleet.

Total flow down revenue with the Royal Saudi Air Force (RSAF) was €89.3m (2017: €71.7m). This increase is mainly attributable to an increase in spare parts demand.

Finalisation of a follow-on contract ("TPSSEnhanced") for the TPSS Contract which expired at the end of 2016 has been delayed into 2019 due to extended contract negotiations. The Contract period is set to be 5 years backdated to January 2017. Whilst negotiations have been ongoing, business continuity has been secured by signing "Bridging Contracts" or "ItPs" (Instructions to Proceed) on a quarterly basis until mid-2018. A "final" ItP was then issued, covering the entire 5-year period. Reconciliation of the 2018 Saudi activities and related turnover will take place after finalisation and signature of the TPSS-E Contract.

For 2019 and beyond, only moderate reduction of the Air Forces activities in total is expected, with the UK Royal Air Force out-of-service date for their remaining aircraft being the end of March 2019.

Risk Review for Turbo-Union Limited

Turbo-Union Limited has the consortium lead for both of its customers and bears some liability risk. This risk is monitored on a regular basis and Turbo-Union Limited manages the risk together with its partner companies.

There is also a potential risk of partner company failure, however this risk has been deemed remote by the Board.

The uncertainty in connection with restrictions of the German and the UK Governments, concerning approval of export licences relating to joint European programmes for Saudi Arabia, as well the ongoing Brexit discussions in the UK may constitute a certain risk of loss in sales or cause additional administrative effort and cost, however this would primarily affect the shareholders and/or the customers. They do not represent an economical risk for the future of Turbo-Union itself.

This report was approved by the board and signed on its behalf by:

U Wehking U. Wehking
Director

Date: 11.09.2019

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and the audited financial statements of Turbo-Union Limited (the "Company") for the year ended 31 December 2018.

Principal activity

The principal activity of the business is a joint venture which contracts the production, supply of spares, and support for the Tornado Aircraft. The high level of operational support Turbo-Union Limited is providing to engines in service with the UK Royal Air Force, German Air Force, Italian Air Force and Royal Saudi Air Force continues as in previous years.

A branch of the Company is located in Germany.

Results and dividends

The loss for the financial year amounted to €3,004 (2017: €2,903).

The directors do not recommend the payment of a dividend for the year ended 31 December 2018 (2017: €Nil).

Directors

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

S F Baldwin (appointed 30 September 2018)
K Guenther
M Majewski
P Palmieri
M J Smith
A Pisoni (resigned 31 December 2018)
U Wehking
S Spooner (resigned 30 September 2018)
A Squillante (appointed 18 January 2019)

Political contributions

The Company made no donations or incurred any political expenditure during the year.

Principal risks and uncertainties

The Principal risks and uncertainties have been disclosed in the Strategic Report.

Future developments

As a result of the forthcoming Brexit deadline, a decision has been made by the shareholders of Turbo-Union to merge the UK-registered Turbo-Union Limited into a Germany-registered Turbo-Union GmbH by means of a cross-border merger. The merger is expected to be finalised before the Brexit deadline of the 31 October 2019.

As a result of the cross-border merger the trade of Turbo-Union Limited will continue in Turbo-Union GmbH. However Turbo-Union Limited will be removed from Companies House after the merger.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

Directors' responsibilities statement

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

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

- select suitable accounting policies and then apply them consistently;
- 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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 to enable them to ensure that the financial statements comply with the Companies Act 2006.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The previous auditors KPMG LLP resigned from their post and PricewaterhouseCoopers LLP have been appointed to act as independent auditors for the year ended 31 December 2018.

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf by:

U Wehking
Director

Date: 11.09.2019

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TURBO-UNION LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Turbo-Union Limited's 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 and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2018; the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TURBO-UNION LIMITED (CONTINUED)

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 4,the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

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 an auditors' 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. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TURBO-UNION LIMITED (CONTINUED)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Duncan Stratford

Duncan Stratford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

Date: 13 September 2019.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 December 2018 €	As restated* 31 December 2017 €
Turnover	4	**659,987**	629,777
Cost of sales		**(661,757)**	(630,051)
Gross loss		**(1,770)**	(274)
Interest payable and similar expenses		**(1,206)**	(2,228)
Loss before taxation		**(2,976)**	(2,502)
Tax on loss	10	**(28)**	(401)
Loss for the financial year		**(3,004)**	(2,903)
Total comprehensive expense for the financial year		**(3,004)**	(2,903)

*Restatement of 2017 comparatives: revenue and costs of sales balances have been restated to recognise Turbo Union Limited as an agent in their role with the end customer was a reduction of €122.3m for each line item, due to the assessment of the contractual relationships. The impact on the turnover and cost of sales at 31 December 2017 was a reduction of €122.3m due to the assessment of the contractual relationships.

The notes on pages 12 to 22 form part of these financial statements.

TURBO-UNION LIMITED
REGISTERED NUMBER: 00962980

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note		2018 €		As restated 2017 €
Fixed assets					
Tangible assets	11		**43,840**		31,509
Current assets					
Debtors	12	**24,637,390**		28,727,636	
Cash at bank and in hand	13	**516,985**		1,646,415	
		25,154,375		30,374,051	
Creditors: amounts falling due within one year	14	**(24,923,648)**		(30,127,989)	
Net current assets			**230,727**		246,062
Total assets less current liabilities			**274,567**		277,571
Capital and reserves					
Called up share capital	16		**1,136**		1,136
Profit and loss account	17		**273,431**		276,435
Total shareholders' funds			**274,567**		277,571

These financial statements on pages 8 to 22 were approved and authorised for issue by the board and were signed on its behalf by:

U. Wehking

U Wehking
Director

Date: 11.09.2019

The notes on pages 12 to 22 form part of these financial statements.

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

	Called up share capital	Profit and loss account	Total shareholders' funds
	€	€	€
At 1 January 2017	**1,136**	**279,338**	**280,474**
Comprehensive expense for the financial year			
Loss for the financial year	**-**	**(2,903)**	**(2,903)**
Total comprehensive expense for the financial year	**-**	**(2,903)**	**(2,903)**
At 31 December 2017 and 1 January 2018	**1,136**	**276,435**	**277,571**
Comprehensive expense for the financial year			
Loss for the financial year	**-**	**(3,004)**	**(3,004)**
Total comprehensive expense for the financial year	**-**	**(3,004)**	**(3,004)**
At 31 December 2018	**1,136**	**273,431**	**274,567**

The notes on pages 12 to 22 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	31 December 2018 €	31 December 2017 €
Cash flows from operating activities		
Loss for the financial year	**(3,004)**	(2,903)
Adjustments for:		
Depreciation, amortisation and impairment	**15,575**	14,857
Gain on disposal of tangible assets	**-**	(85)
Decrease in trade and other debtors	**4,090,246**	13,368,076
Decrease in trade and other creditors	**(5,204,341)**	(12,000,466)
Foreign exchange losses	**(1,235)**	(2,235)
Net cash used in/ generated from operating activities	**(1,100,289)**	1,381,714
Cash flows from investing activities		
Acquisition of tangible fixed assets	**(27,906)**	(10,299)
Net cash used in investing activities	**(27,906)**	(10,299)
Net (decrease)/increase in cash and cash equivalents	**(1,128,195)**	1,371,415
Cash and cash equivalents at beginning of year	**1,646,415**	277,235
Foreign exchange losses	**(1,235)**	(2,235)
Cash and cash equivalents at the end of year	**516,985**	1,646,415
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**516,985**	1,646,415

The notes on pages 12 to 22 form part of these financial statements.

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

1. General information

Turbo-Union Limited (the "Company") is a private company incorporated, limited by shares, domiciled and registered in England in the United Kingdom. The address of its registered office is Moor Lane, Derby, Derbyshire, DE24 8BJ.

The principal activity of the business is a joint venture which contracts the production, supply of spares, and support for the Tornado Aircraft. Turbo Union supports the engines in service with the UK Royal Air Force, German Air Force, Italian Air Force and Royal Saudi Air Force as in previous years.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The presentation currency of these financial statements is Euro as the business transacts frequently in Euros and has a branch in Germany from which all activity is conducted thus this is deemed to be the functional currency.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

The following principal accounting policies have been applied consistently throughout the year:

Turbo-Union Limited will transfer to Turbo-Union GmbH at book value. No adjustments have been made or reflected in these accounts, nor any provisions.

2.2 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 2. Specifically, a decision has been made by the shareholders of Turbo-Union to merge the UK-registered Turbo-Union Limited into a Germany-registered Turbo-Union GmbH by means of a cross-border merger. The merger is expected to be finalised before the Brexit deadline of the 31 October 2019. As a result of the cross-border merger the trade of Turbo-Union Limited will continue in Turbo-Union GmbH. However Turbo-Union Limited will be removed from Companies House after the merger.

Management have obtained letters of support from the partner companies confirming the continued financial support of the joint venture. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.3 Foreign currency

Transactions in foreign currencies are translated to Euros at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date.

Non-monetary items have been expressed in foreign currencies have been converted into Euros at the historic rates of exchange.

2. Accounting policies (continued)

2.4 Trade and other debtors/ creditors

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

2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

2.6 Employee benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the accounting period.

2.7 Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate item, of tangible fixed assets.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Depreciation is provided on the following basis:

Motor vehicles	- 6 years
Office equipment	- between 5 to 13 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

2. Accounting policies (continued)

2.8 Financial instruments

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.9 Turnover

Turnover is derived from the expenses recharged that arise from acting in the role as an agent for the partner companies. Turnover has been re-stated from the prior year to recognise turnover net to reflect the contractual arrangements of Turbo Union, as an agent with the end customer acting on behalf of the partner companies (see Statement of Comprehensive Income for restatement on page 8).

Turnover is stated in the accounts exclusive of Value Added Tax.

2.10 Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised the Statement of Comprehensive Income over the term of the lease as an integral part of the total lease expense.

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

2. Accounting policies (continued)

2.11 Current and deferred taxation

Tax on the profit or loss 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 directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the Balance Sheet date. Deferred tax balances are not discounted.

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

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about carrying amount of assets and liabilities that are not readily apparent 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to assumptions and accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current period.

Turbo-Union Limited recognise their revenue as an agent and prepare their accounts on a net basis. This is due to the substance of the contractual relationships with the partner companies and the end customer.

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

4. Turnover

An analysis of turnover by class of business is as follows:

	31 December 2018 €	As restated* 31 December 2017 €
Rendering of services	**659,987**	629,777

*Restatement of 2017 comparatives: turnover and cost of sales balances for the year ended 31 December 2017, have been restated to recognise Turbo Union Limited as an agent in their role with the end customer. This is a judgemental area but goods and services are delivered by the partner companies. As such, there are flow through billings of €138.7m (2017: €122.3m) and corresponding costs of €138.7m (2017: €122.3m) in relation to the contracts with the UK Air Force, German Air Force, Italian Air Force and Royal Saudi Air Force.

Analysis of billings on behalf of partner companies flowed through Turbo Union:

	2018 €	2017 €
Sales of goods	**113,446,617**	99,937,227
Rendering of services	**25,249,269**	22,358,726
	138,695,886	122,295,953

Non-GAAP measure presented to show the flow through revenue from Turbo-Union Limited to the partner companies, who deliver the goods and services to the end customer.

5. Operating profit

The operating profit is stated after charging:

	2018 €	2017 €
Operating lease rentals	**27,323**	29,255
Depreciation of tangible assets	**15,575**	14,857

6. Auditors' remuneration

	2018 €	2017 €
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	**26,401**	21,000

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

7. Employees

Staff costs were as follows:

	2018 €	2017 €
Wages and salaries	**100,101**	94,846
Other pension costs	**7,254**	7,125
	107,355	101,971

The average number of persons directly employed by the Company during the year was 1 (2017: 1). Thereto must be added 2 (2017: 2) full-time persons plus a share of 0.2 (2017: 0.2) person on secondment from shareholders.

8. Directors' remuneration

The cost of the director of Turbo-Union Limited are borne by the partner company (shareholder) from which he is seconded as part of the joint venture. The total wages and salaries are therefore covered in the partner company financial statements and the individual proportion associated with Turbo-Union Limited is recharged as part of the management charges. It is not possible to ascertain the element of the management recharge that relates to employee costs. As such no amounts have been disclosed in the note above.

The entity considers that there are no employees who are not directors who met the definition of key management personnel and thus no disclosure of their compensation is required.

9. Interest payable and similar expenses

	2018 €	2017 €
Foreign exchange loss	**1,243**	2,235
Interest receivable	**(37)**	(7)
	1,206	2,228

10. Tax on loss

	2018 €	2017 €
Corporation tax		
Current tax on loss for the year	-	-
Adjustments in respect of previous periods	28	401
Total current tax	**28**	401

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are explained below:

	2018 €	2017 €
Loss before taxation	**(3,004)**	(2,903)
Loss multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	**(571)**	(552)
Effects of:		
Expenses not deductible for tax purposes	**194**	169
Movement in unprovided deferred tax	**377**	383
Adjustments to tax charge in respect of prior periods	**28**	401
Total tax charge for the financial year	**28**	401

Deferred tax is not recognised on historic losses as the directors are not sufficiently certain that future taxable profits will be available to the offset of the losses.

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the Balance Sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The deferred tax asset has not been recognised on the basis that its recovery is uncertain.

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

11. Tangible assets

	Motor vehicles €	Office equipment €	Total €
Cost			
At 1 January 2018	**36,625**	**133,592**	**170,217**
Additions	**-**	**27,906**	**27,906**
Disposals	**-**	**(16,528)**	**(16,528)**
At 31 December 2018	**36,625**	**144,970**	**181,595**
Accumulated depreciation			
At 1 January 2018	**25,943**	**112,765**	**138,708**
Charge for the year	**6,104**	**9,471**	**15,575**
Disposals	**-**	**(16,528)**	**(16,528)**
At 31 December 2018	**32,047**	**105,708**	**137,755**
Net book value			
At 31 December 2018	**4,578**	**39,262**	**43,840**
At 31 December 2017	10,682	20,827	31,509

12. Debtors

	2018 €	2017 €
Trade debtors	**16,291,084**	23,514,319
Advances to suppliers	**8,310,249**	5,166,907
Other debtors	**36,057**	46,410
	24,637,390	28,727,636

Trade debtors are stated after provisions for impairment of £Nil (2017: £Nil).

13. Cash at bank and in hand

	2018 €	2017 €
Cash at bank and in hand	**516,985**	1,646,415

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

14. Creditors: amounts falling due within one year

	2018 €	2017 €
Trade creditors	**16,330,652**	24,844,904
Deposit received	**8,309,303**	5,166,907
Taxation and social security	**283,627**	115,835
Other creditors	**66**	343
	24,923,648	30,127,989

15. Financial instruments

	2018 €	2017 €
Financial assets		
Financial assets measured at fair value through profit or loss	**516,985**	1,646,415
Financial assets that are debt instruments measured at amortised cost	**24,637,389**	28,727,636
	25,154,374	30,374,051
Financial liabilities		
Financial liabilities measured at amortised cost	**(24,923,648)**	(30,127,989)

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, other debtors, deferred tax asset and Advances to suppliers.

Financial liabilities measured at amortised cost comprise trade creditors, deposit received, other taxation and social security and other creditors.

16. Called up share capital

	2018 €	2017 €
Shares classified as equity		
Allotted, called up and fully paid		
992 (2017: 992) Ordinary shares of £1 each (translated at a rate of 1.416/£)	**1,136**	1,136

No reconciliation of share capital is provided as no charges have occurred in either the current or the prior year.

17. Profit and loss account

The profit and loss account represents the accumulated profits, losses, and distributions of the Company.

18. Pension

The Company has contributed €7,254 to the German legal state pension plan. The total amounts outstanding in relation to these plans at year end was €Nil (2017: €Nil).

19. Commitments under operating leases

At 31 December the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018	2017
	€	€
Not later than 1 year	**27,323**	27,323
Later than 1 year and not later than 5 years	**79,691**	107,014
	107,014	134,337

During the year €27,323 (2017: €29,255) was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases.

20. Related party transactions

Turbo-Union Limited was formed as part of a joint venture between Rolls-Royce Plc (40% ownership), MTU Aero Engines AG (40% ownership) and GEA Avio S.r.l (20% ownership). In the course of normal operations, the Company has contracted with the joint venture parties. The aggregated transactions which are considered to be material and which have not been disclosed elsewhere in the financial statements are summarised below:

	Sales to		**Expense incurred from**	
	2018	2017	**2018**	2017
	€	€	**€**	€
Entities with control, joint control or significant control	**89,259,191**	71,707,716	**138,695,996**	122,295,953
	Receivable outstanding		**Creditors outstanding**	
	2018	2017	**2018**	2017
	€	€	**€**	€
Entities with control, joint control or significant control	**20,029,908**	25,671,854	**24,311,849**	29,915,092

21. Ultimate parent company and controlling party

Turbo-Union Limited was formed as part of a joint venture between Rolls-Royce Plc, 62 Buckingham Gate, London, SW1E6AT, MTU Aero Engines AG, Dachauer Strasse 665, 80995 Munchen and GE Avio S.r.l, Rivalta di Torino, Italy).

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FOR THE YEAR ENDED 31 DECEMBER 2018

22. Post balance sheet events

As a result of the forthcoming Brexit deadline, a decision has been made by the shareholders of Turbo-Union to merge the UK-registered Turbo-Union Limited into a Germany-registered Turbo-Union GmbH by means of a cross-border merger. The merger is expected to be finalised before the Brexit deadline of the 31 October 2019.

As a result of the cross-border merger the trade of Turbo-Union Limited will continue in Turbo-Union GmbH. However Turbo-Union Limited will be removed from companies house after the merger.