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**XCEL AEROSPACE LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**XCEL AEROSPACE LIMITED**

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**COMPANY INFORMATION**

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<b>DIRECTORS</b>	J C Richardson I Fischer A O Fischer D R Daley B Virdi (appointed 26 September 2018) N J Rafferty J Boucher
<b>COMPANY SECRETARY</b>	D R Daley
<b>REGISTERED NUMBER</b>	07680845
<b>REGISTERED OFFICE</b>	Unit 3 Ashton Road Romford Essex RM3 8UH
<b>INDEPENDENT AUDITORS</b>	PricewaterhouseCoopers LLP Central Square 29 Wellington Street Leeds LS1 4DL

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**XCEL AEROSPACE LIMITED**

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## **XCEL AEROSPACE LIMITED**

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### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

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

#### **PRINCIPAL ACTIVITIES**

The principal activity of the company is to be a manufacturer of precision aviation products.

#### **REVIEW OF THE BUSINESS**

The aviation industry remained a challenging marketplace during the year and the company's main focus has been to develop a culture of continuous improvement and process stability. This is being achieved by significant restructuring of the business' leadership team along with engagement on several structured customer and government supported programmes.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

During the year there have been industry developments regarding engine overhaul frequency and also build rate profile changes on legacy and new platforms. The result has been a slowdown in revenue growth in legacy areas and a change in focus in terms of business development for the future.

The company showed an operating loss of £154,000 (2017: operating loss of £269,000) for the year, although for both years these results were affected by re-structuring costs within the current premises.

The company's position in the marketplace remains strong in terms of customer interest and support, with the business having been selected by several customers as a future strategic supplier.

#### **KEY PERFORMANCE INDICATORS (KPI's)**

The company's directors are of the opinion that an analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

#### **PRINCIPAL RISK AND UNCERTAINTIES FACING THE COMPANY**

The principal risks to the business are revenue losses and margin erosion through customer price challenges and contractual discount structures and end dates. With the active pursuit of continuous improvement being used to offset the margin erosion, combined with the ongoing negotiations with major customers around contract renewal and additional new business we are confident these risks are being tackled. The business also still faces the ongoing challenges of stock obsolescence, the risks of defaults on debts from customers, and the risks associated with a small number of customers representing a large proportion of the company's turnover. Obsolete stocks are marked down, and where they cannot be disposed of they are scrapped. Our exposure to bad debts has historically been reasonably low due to the tight credit control procedures that we maintain. Short term risk to a small number of key customers representing a large proportion of turnover is managed by business contracts whilst in the longer term the customer base is planned to be grown.

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



**Dan Daley**  
Director

Date: 25 April 2019

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## **XCEL AEROSPACE LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

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

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

#### **Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

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

#### **FINANCIAL RISK MANAGEMENT**

The company maintain tight credit control procedures to limit its exposure to bad debt risk. We limit our exposure on foreign currency risk by selling in sterling and where possible balance outgoings with income in other currencies.

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## **XCEL AEROSPACE LIMITED**

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

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#### **RESULTS AND DIVIDENDS**

The loss for the year, after taxation, amounted to £203,000 (2017 - loss £541,000).

The results for the year are set out on page 7. The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company RG Industries LLP. The directors have received confirmation that RG Industries LLP intends to support the company for at least one year after the financial statements are signed.

The directors do not recommend the payment of a dividend.

#### **DIRECTORS**

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

J C Richardson  
I Fischer  
A O Fischer  
D R Daley  
N J Rafferty  
J Boucher  
B Viridi (appointed 26 September 2018)

Qualifying third party indemnity provisions (as defined in section 234 Companies Act 2006) have been granted to the directors in office and remain in force.

#### **FUTURE DEVELOPMENTS**

For the ongoing development of the business it is intended to subdivide its capability in terms of production types and revenue streams. This would represent a split in the business into two main divisions, that of serial production and development and aftermarket work. This will encourage increased development of competitiveness and margin improvement in serial production, while optimising the opportunity for higher margin business available in the development and complex aftermarket sector. After discussion with several customers, there is clearly a good level of demand in both areas and it is essential we split the internal resource clearly so as not to cross contaminate the differing requirements.

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**XCEL AEROSPACE LIMITED**

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

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**POST BALANCE SHEET EVENTS**

There have been no significant events affecting the Company since the year end.

**INDEPENDENT AUDITORS**

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

A handwritten signature in black ink, consisting of a stylized 'D' followed by a horizontal line and a loop.

D R Daley  
Director

Date: 25 April 2019

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## **XCEL AEROSPACE LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XCEL AEROSPACE LIMITED**

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#### **Report on the audit of the financial statements**

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##### **Opinion**

In our opinion, XCEL Aerospace 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 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 and 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.



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## XCEL AEROSPACE LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XCEL AEROSPACE LIMITED

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#### 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.

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.

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#### 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.

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#### Responsibilities for the financial statements and the audit

##### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, 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.

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## XCEL AEROSPACE LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XCEL AEROSPACE LIMITED

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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 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.

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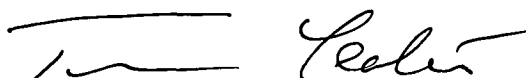
#### Other required reporting

##### 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.



Tom Yeates (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
29 Wellington Street  
Leeds

25 April 2019

**XCEL AEROSPACE LIMITED**

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


	Note	2018 £000	2017 £000
Turnover	4	7,069	6,522
Cost of sales		(4,249)	(4,028)
<b>Gross profit</b>		<b>2,820</b>	<b>2,494</b>
Administrative expenses		(3,061)	(2,820)
Other operating income	5	87	57
<b>Operating loss</b>	6	<b>(154)</b>	<b>(269)</b>
Interest payable and expenses	10	(49)	(51)
<b>Loss before taxation</b>		<b>(203)</b>	<b>(320)</b>
Tax on loss	11	-	(221)
<b>Loss for the financial year</b>		<b>(203)</b>	<b>(541)</b>
<b>Other comprehensive income for the year</b>		-	-
<b>Total comprehensive expense for the year</b>		<b>(203)</b>	<b>(541)</b>

**XCEL AEROSPACE LIMITED**  
**REGISTERED NUMBER: 07680845**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
<b>FIXED ASSETS</b>			
Tangible fixed assets	12	942	954
		<u>942</u>	<u>954</u>
<b>CURRENT ASSETS</b>			
Stocks	13	1,071	1,013
Debtors	14	1,912	1,694
Cash at bank and in hand	15	122	-
		<u>3,105</u>	<u>2,707</u>
Creditors: amounts falling due within one year	16	(1,182)	(1,181)
<b>NET CURRENT ASSETS</b>		<u>1,923</u>	<u>1,526</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,865</u>	<u>2,480</u>
Creditors: amounts falling due after more than one year	17	(1,388)	(800)
<b>NET ASSETS</b>		<u><u>1,477</u></u>	<u><u>1,680</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	3,500	3,500
Profit and loss account		(2,023)	(1,820)
<b>TOTAL EQUITY</b>		<u><u>1,477</u></u>	<u><u>1,680</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 April 2019.



**D R Daley**  
Director

The notes on pages 12 to 25 form part of these financial statements.

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**XCEL AEROSPACE LIMITED**

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

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	<b>Called up Share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
At 1 January 2018	3,500	(1,820)	1,680
<b>Comprehensive expenses for the year</b>			
Loss for the financial year	-	(203)	(203)
<b>At 31 December 2018</b>	<b>3,500</b>	<b>(2,023)</b>	<b>1,477</b>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	<b>Called up Share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
At 1 January 2017	3,500	(1,279)	2,221
<b>Comprehensive expenses for the year</b>			
Loss for the financial year	-	(541)	(541)
<b>At 31 December 2017</b>	<b>3,500</b>	<b>(1,820)</b>	<b>1,680</b>

The notes on pages 12 to 25 form part of these financial statements.

**XCEL AEROSPACE LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £000	2017 £000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the financial year	(203)	(541)
<b>ADJUSTMENTS FOR:</b>		
Depreciation of tangible assets	321	360
Profit on disposal of tangible assets	(1)	-
Government grants	(87)	(57)
Interest paid	49	51
Taxation charge	-	221
(Increase)/decrease in stocks	(58)	86
(Increase) in debtors	-	(112)
Increase/(decrease) in creditors	318	(47)
(Increase)/decrease in amounts owed by group undertakings	(217)	40
Corporation tax paid	(17)	(11)
<b>NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES</b>	<b>105</b>	<b>(10)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of tangible fixed assets	(163)	(250)
Sale of tangible fixed assets	1	-
Government grants received	87	57
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(75)</b>	<b>(193)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of other loans	(133)	(300)
Repayment of finance leases	(132)	(54)
New loans from group companies	503	464
Interest paid	(49)	(51)
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>189</b>	<b>59</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>219</b>	<b>(144)</b>
Cash and cash equivalents at beginning of year	(97)	47
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	<b>122</b>	<b>(97)</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:</b>		
Cash at bank and in hand	122	-
Bank overdrafts	-	(97)
	<b>122</b>	<b>(97)</b>

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## **XCEL AEROSPACE LIMITED**

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

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#### **1. GENERAL INFORMATION**

XCEL Aerospace Limited is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The address of its registered office is Unit 3 Ashton Road, Romford, Essex, RM3 8UH.

#### **2. ACCOUNTING POLICIES**

##### **2.1 Basis of preparation of financial statements**

The principal accounting policies applied on the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

The financial statements have been prepared in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and the Companies Act 2006.

The financial statements are prepared on a going concern basis and under the historical cost convention.

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

The following principal accounting policies have been applied:

##### **2.2 Disclosure exemptions**

The company has notified its shareholders in writing about the exemptions being taken. FRS102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders.

The company has taken advantage of the exemption from the financial instrument disclosure, required under FRS 102 paragraphs 11.39 to 11.48A and the paragraphs 12.26 to 12.29 as the information is provided in the consolidated financial statements disclosures.

The company is a wholly owned subsidiary of Farsound Engineering Holdings Limited and of its ultimate parent, RG Industries LLP which are publically available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are the company's separate financial statements. The parent company in whose financial statements XCEL Aerospace Limited's financial information is consolidated is RG Industries LLP. Copies of the consolidated financial statements can be obtained from RG Industries LLP, 8-12 York Gate, London, NW1 4QG

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## XCEL AEROSPACE LIMITED

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

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## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.3 Foreign currency translation

#### Functional and presentation currency

The Company's functional and presentational currency is GBP.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

### 2.4 Turnover

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

#### Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.



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## XCEL AEROSPACE LIMITED

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

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## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.5 Operating leases: The company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2017 to continue to be charged over the period to the first market rent review rather than the term of the lease.

### 2.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of Comprehensive Income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

### 2.7 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

### 2.8 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

### 2.9 Pensions

#### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

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## XCEL AEROSPACE LIMITED

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

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## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.10 Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

### 2.11 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Short-term leasehold property	- Straight line over the length of the lease
Plant and machinery	- 2.5% -12.5% on a straight line basis
Other fixed assets	- 10% - 25% on a straight line basis

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

### 2.12 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

### 2.13 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

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## XCEL AEROSPACE LIMITED

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

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#### 2. ACCOUNTING POLICIES (CONTINUED)

##### 2.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

##### 2.15 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

#### 3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The business faces the ongoing challenge of stock obsolescence and stocks are marked down within an ageing profile and where they cannot be disposed of they are scrapped. The company's exposure to bad debt has historically been low due to the tight credit control procedures that we maintain.

#### 4. TURNOVER

The whole of the turnover is attributable to the sales of aerospace components and assembled parts.

Analysis of turnover by country of destination:

	2018 £000	2017 £000
United Kingdom	4,789	4,122
Rest of Europe	1,931	1,851
Rest of the world	349	549
	<u>7,069</u>	<u>6,522</u>

#### 5. OTHER OPERATING INCOME

	2018 £000	2017 £000
Government grants receivable	87	57
	<u>87</u>	<u>57</u>

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**XCEL AEROSPACE LIMITED**

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

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**6. OPERATING LOSS**

The operating loss is stated after charging/(crediting):

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Depreciation of tangible fixed assets	<b>321</b>	<b>360</b>
Exchange differences	<b>(5)</b>	<b>5</b>
Other operating lease rentals	<b>65</b>	<b>64</b>
Defined contribution pension cost	<b>81</b>	<b>74</b>
	<b><u>81</u></b>	<b><u>74</u></b>

**7. AUDITORS' REMUNERATION**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>FEES PAYABLE TO THE COMPANY'S AUDITORS AND THEIR ASSOCIATES IN RESPECT OF:</b>		
The auditing of financial statements of associates of the Company pursuant to legislation	<b>30</b>	<b>32</b>
Other services relating to taxation	<b>9</b>	<b>11</b>
	<b><u>39</u></b>	<b><u>43</u></b>

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

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**8. EMPLOYEES**

Staff costs, including directors' remuneration, were as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	<b>3,000</b>	2,687
Social security costs	<b>277</b>	266
Other pension costs	<b>81</b>	74
	<b>3,358</b>	<b>3,027</b>

The average monthly number of employees, including the directors, during the year was as follows:

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Manufacturing	<b>50</b>	49
Distribution	<b>16</b>	19
Administrative	<b>11</b>	9
	<b>77</b>	<b>77</b>

**9. DIRECTORS' REMUNERATION**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Directors' emoluments	<b>199</b>	188
Company contributions to defined contribution pension schemes	<b>23</b>	26
	<b>222</b>	<b>214</b>

During the year retirement benefits were accruing to 2 directors (2017 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £121,481 (2017 - £133,418).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2017 - £NIL).

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**XCEL AEROSPACE LIMITED**

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

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**10. INTEREST PAYABLE AND SIMILAR EXPENSES**

	<b>2018 £000</b>	<b>2017 £000</b>
Loans from group undertakings	<b>36</b>	<b>34</b>
Finance leases and hire purchase contracts	<b>13</b>	<b>17</b>
	<b>49</b>	<b>51</b>

**11. TAX ON LOSS**

	<b>2018 £000</b>	<b>2017 £000</b>
<b>CORPORATION TAX</b>		
Current tax on losses for the year	-	11
	-	11
<b>TOTAL CURRENT TAX</b>	-	11
<b>DEFERRED TAX</b>		
Origination and reversal of timing differences	-	215
Changes to tax rates	-	(25)
Adjustments in respect of previous periods	-	20
<b>TOTAL DEFERRED TAX</b>	-	210
<b>TAXATION ON LOSS</b>	-	221

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**XCEL AEROSPACE LIMITED**

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

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**11. TAX ON LOSS (CONTINUED)**

**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:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Loss before tax	<b>(203)</b>	<b>(320)</b>
Loss before tax multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	<b>(39)</b>	<b>(62)</b>
<b>EFFECTS OF:</b>		
Tax rate changes	-	(25)
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	<b>8</b>	<b>11</b>
Adjustments to tax charge in respect of prior periods	-	<b>31</b>
Non-taxable income	<b>(22)</b>	<b>(11)</b>
Unrelieved tax losses carried forward	-	<b>205</b>
Deferred tax not recognised	<b>(15)</b>	-
Effects of group relief	<b>61</b>	<b>65</b>
Transfer pricing adjustments	<b>7</b>	<b>7</b>
<b>TOTAL TAX CHARGE FOR THE YEAR</b>	<b>-</b>	<b>221</b>

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016. These include reductions to the main rate to reduce the rate to 17% for the year starting 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

There is an unrecognised deferred tax asset of £172,000 (2017: £181,000) which has not been recognised due to the likelihood that the losses will not be utilised in the foreseeable future.

**XCEL AEROSPACE LIMITED**

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

**12. TANGIBLE FIXED ASSETS**

	Short-term leasehold property £000	Plant and machinery £000	Other fixed assets £000	Total £000
<b>Cost or valuation</b>				
At 1 January 2018	1,688	3,838	2,216	7,742
Additions	57	183	69	309
Disposals	(1,634)	(12)	(986)	(2,632)
At 31 December 2018	111	4,009	1,299	5,419
<b>Depreciation</b>				
At 1 January 2018	1,636	3,065	2,087	6,788
Charge for the year on owned assets	5	246	70	321
Disposals	(1,634)	(12)	(986)	(2,632)
At 31 December 2018	7	3,299	1,171	4,477
<b>Net book value</b>				
At 31 December 2018	104	710	128	942
At 31 December 2017	52	773	129	954

The net book value of land and buildings may be further analysed as follows:

	2018 £000	2017 £000
Short leasehold	104	52
	104	52



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**XCEL AEROSPACE LIMITED**

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

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**13. STOCKS**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Raw materials and consumables	<b>332</b>	<b>317</b>
Work in progress (goods to be sold)	<b>434</b>	<b>426</b>
Finished goods and goods for resale	<b>305</b>	<b>270</b>
	<b>1,071</b>	<b>1,013</b>

Stock are stated after provisions for impairment of £351,000 (2017: £424,000).

**14. DEBTORS**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	<b>1,439</b>	<b>1,453</b>
Amounts owed by group undertakings	<b>246</b>	<b>45</b>
Other debtors	<b>5</b>	<b>-</b>
Prepayments and accrued income	<b>205</b>	<b>196</b>
Tax recoverable	<b>17</b>	<b>-</b>
	<b>1,912</b>	<b>1,694</b>

Trade debtors are stated after provisions for impairment of £1,649 (2017: £1,649).

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

**15. CASH AT BANK AND IN HAND**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	<b>122</b>	<b>-</b>
	<b>122</b>	<b>-</b>

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**XCEL AEROSPACE LIMITED**

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

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**16. CREDITORS: Amounts falling due within one year**

	<b>2018 £000</b>	<b>2017 £000</b>
Bank overdrafts	-	97
Other loans	-	133
Trade creditors	<b>844</b>	<b>512</b>
Amounts owed to group undertakings	-	16
Other taxation and social security	<b>81</b>	<b>93</b>
Obligations under finance lease and hire purchase contracts	<b>100</b>	<b>123</b>
Other creditors	<b>30</b>	<b>31</b>
Accruals and deferred income	<b>127</b>	<b>176</b>
	<b>1,182</b>	<b>1,181</b>

**17. CREDITORS: Amounts falling due after more than one year**

	<b>2018 £000</b>	<b>2017 £000</b>
Net obligations under finance leases and hire purchase contracts	<b>175</b>	<b>138</b>
Amounts owed to group undertakings	<b>1,165</b>	<b>662</b>
Other creditors	<b>48</b>	-
	<b>1,388</b>	<b>800</b>

Amounts owed to group undertakings are unsecured, interest bearing at a group determined rate and have no fixed repayment date. The directors of those group undertakings have confirmed that they will not seek repayment of these amounts for a period of not less than 12 months from the balance sheet date.

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**XCEL AEROSPACE LIMITED**

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

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**18. LOANS**

Analysis of the maturity of loans is given below:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		
Other loans	-	133

**19. HIRE PURCHASE AND FINANCE LEASES**

Minimum lease payments under hire purchase fall due as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
No later than one year	112	135
Later than one year and not later than two years	93	85
Between 2-5 years	92	63
Over 5 years	-	-
<b>Total gross payments</b>	<b>297</b>	<b>283</b>
less: finance charges	(22)	(22)
<b>Carrying amount of liability</b>	<b>275</b>	<b>261</b>

**20. CALLED UP SHARE CAPITAL**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Allotted, called up and fully paid</b>		
3,500,000 (2017 - 3,500,000) Ordinary Shares shares of £1.00 each	<b>3,500</b>	<b>3,500</b>

**21. CONTINGENT LIABILITIES**

The company has entered into an unlimited cross guarantee arrangement in respect of the borrowings of Farsound Investments Limited and all its subsidiaries. At 31 December 2018 the net borrowings under these arrangements was approximately £8,901,000 (2017: £5,693,000).

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## XCEL AEROSPACE LIMITED

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

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#### 22. PENSION COMMITMENTS

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £80,761 (2017 - £73,874). Contributions totalling £13,480 (2017 - £10,248) were payable to the fund at the balance sheet date.

#### 23. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Not later than 1 year	305	305
Later than 1 year and not later than 5 years	1,220	1,220
Later than 5 years	915	1,220
	<u>2,440</u>	<u>2,745</u>

#### 24. RELATED PARTY TRANSACTIONS

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the Group.

#### 25. CONTROLLING PARTY

The company's ultimate parent undertaking and ultimate controlling party is RG Industries LLP, which is the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of RG Industries LLP can be obtained from the company secretary at the following address:

The Secretary  
RG Industries LLP  
8-12 York Gate  
London  
NW1 4QG

The company has taken advantage of the exemption from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures.