

Registered number: 10080721

SITEC DESIGN LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 16 MONTHS ENDED 31 JULY 2017

TUESDAY



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23/01/2018

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COMPANIES HOUSE

 **Bishop Fleming**
Chartered Accountants

SITEC DESIGN LIMITED

COMPANY INFORMATION

DIRECTORS	K Barnes (appointed 26 July 2016) J Buick (appointed 26 July 2016) D J Medlock (appointed 23 March 2016) P J Medlock (appointed 9 May 2017) S Thomson (appointed 26 July 2016)
COMPANY SECRETARY	A Ambridge
REGISTERED NUMBER	10080721
REGISTERED OFFICE	33 Oldfield Road Bath United Kingdom BA2 3NE
INDEPENDENT AUDITORS	Bishop Fleming Bath Limited Chartered Accountants & Statutory Auditors Minerva House Lower Bristol Road Bath BA2 9ER
BANKERS	Lloyds Bank Plc 47 Milsom Street Bath BA1 1DN

SITEC DESIGN LIMITED

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SITEC DESIGN LIMITED

GROUP STRATEGIC REPORT FOR THE 16 MONTHS ENDED 31 JULY 2017

INTRODUCTION

The Directors present their Strategic Report for the 16 months ended 31 July 2017.

BUSINESS REVIEW

The Company was incorporated on 23 March 2016 as part of a group re-organisation in 2016.

The principal activity of the Group is the provision of design engineering services to its clients within the UK and Europe who are principally within the aerospace, defence and related industries.

The Group primarily operates from two branches in Bristol, Bath & Yeovil and through a subsidiary company in India.

These are the first Financial Statements for the company.

Financial review

The results of the group, as set out on pages 9 to 31 which show a Profit before Taxation of £268,000.

Administrative Expenses includes the amortisation of Goodwill of £2.730 million. With the exception of this, the Group would have reported a Profit before Taxation amounting to £2.998 million.

Group Shareholder funds as at 31 July 2017 amounted to £29.752 million.

Turnover for the period amounted to £21.440 million

Given the competitive and economic environment the Group operates in the Directors consider these results satisfactory.

Cash held by the group amounted to £2.826 million as at 31 July 2017.

Business Environment

The Aerospace and Defence industries continue to remain competitive with a key focus of clients adopting a preferred supplier status only. Maintaining preferred supplier status is normally assessed on size of the Group's, financial strength, competitiveness and high level of performance and service in all service sectors required by the clients.

Strategy

The Group continues to focus and build its business around the provision of design engineering services to its clients. In a very competitive market, the group continues to provide a cost effective solution to its clients' requirements, whilst maintaining a tight control on its overheads.

The key to the Group's continued success is remaining as a preferred supplier to its clients and it continues to achieve this by providing a high level service in a cost effective manner.

The group continues where it considers appropriate to form trading alliances with strategic partners to ensure that it is able to provide a complete service to its clients.

SITEC DESIGN LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE 16 MONTHS ENDED 31 JULY 2017

Financial performance

	<u>2017</u>
	£'000
Turnover	21,440
Gross profit	6,221
Gross profit margin	29.01%
Goodwill Amortisation	(2,730)
Profit before tax	268

Summary of Key Performance Indicators ('KPIs')

The directors monitor the progress of the group by reference to certain financial and non financial key performance indicators in the following areas:

Sales targets and margins
Cash collected and debtor book
Health and safety
Staff welfare
Environmental
Client satisfaction

The directors believe the Group has performed well and in line with expectations with regard to these KPIs.

PRINCIPAL RISKS AND UNCERTAINTIES

The continued success of the group is subject to a number of risks. The principal risks that the directors consider the business faces are as follows:

Continued economic climate

The continued success of the group is dependent upon the aerospace, defence and related industries and its preferred supplier status to many of its clients.

By continuing to consolidate the business into its main strengths the group will be able to remain competitive and win new contracts. The group continues to take its strengths and look to expand in other sectors of industry that it considers it has a close synergy with. The group continues to create relationships with Alliance Partners where it is considered appropriate in order to secure long term business and provide a complete service to its clients.

Skilled labour

The group requires skilled employees to continue to provide its services to its clients. To manage the risk of too few skilled employees, the group continues to source its staff on a global basis.

Health and safety

The group operates a strict health and safety regime on all of its sites to ensure safety, welfare and protection of all persons.

Financial risks

The group holds sufficient cash reserves to provide adequate working capital to meet its operating requirements.

SITEC DESIGN LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE 16 MONTHS ENDED 31 JULY 2017**

SOCIAL RESPONSIBILITY

The group's policy in recognition of its social responsibility is that where the Directors consider there to be surplus cash held to the business requirements of the group and the group, then such cash in general will be used for Charitable purposes.

The group is actively involved in supporting a range of community and charitable projects through The Medlock Charitable Trust (Registered Charity number 326927) , which is named after group founder Leonard Medlock, and is the vehicle through which Sitec Group invests in the communities it has served over the years.

This report was approved by the board on

23/01/18

and signed on its behalf.


A Ambridge
Secretary

SITEC DESIGN LIMITED

DIRECTORS' REPORT FOR THE 16 MONTHS ENDED 31 JULY 2017

The directors present their report and the financial statements for the 16 months ended 31 July 2017.

PRINCIPAL ACTIVITY

The principal activity of the group during the period was the provision of design and consultancy services to its clients within the UK and Europe who are principally within the Aerospace, Defence and related industries. The principal activity of the company during the period was that of a holding management company for its group companies.

RESULTS AND DIVIDENDS

The profit for the 16 months, after taxation, amounted to £59,000.

DIRECTORS

The directors who served during the 16 months were:

K Barnes (appointed 26 July 2016)
J Buick (appointed 26 July 2016)
D J Medlock (appointed 23 March 2016)
P J Medlock (appointed 9 May 2017)
S Thomson (appointed 26 July 2016)

MATTERS COVERED IN THE STRATEGIC REPORT

The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 requires a Strategic Report to be prepared. Where mandatory disclosures in the Directors' Report are considered by the directors to be of strategic importance these have been included within the Strategic Report rather than the Directors' Report.

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 and the group'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 and the group's auditors are aware of that information.

POST BALANCE SHEET EVENTS

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

SITEC DESIGN LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE 16 MONTHS ENDED 31 JULY 2017**

AUDITORS

The auditors, Bishop Fleming Bath Limited, 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 Ambridge
Secretary

Date: 23/01/18

33 Oldfield Road
Bath
United Kingdom
BA2 3NE

SITEC DESIGN LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE 16 MONTHS ENDED 31 JULY 2017

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

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group and to 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SITEC DESIGN LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SITEC DESIGN LIMITED

We have audited the financial statements of Sitec Design Limited for the 16 months ended 31 July 2017, set out on pages 9 to 31. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 Auditors' 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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 July 2017 and of the group's profit for the 16 months then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER 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 Group Strategic Report and the Directors' Report for the financial 16 months for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

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

SITEC DESIGN LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SITEC DESIGN LIMITED
(CONTINUED)**

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Andrew Sandiford BCom FCA (Senior statutory auditor)
for and on behalf of

Bishop Fleming Bath Limited

Chartered Accountants

Statutory Auditors

Minerva House

Lower Bristol Road

Bath

BA2 9ER

Date:

23/1/18

SITEC DESIGN LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 16 MONTHS ENDED 31 JULY 2017**

	Note	16 months 31 July 2017 £000
Turnover	4	21,440
Cost of sales		(15,219)
GROSS PROFIT		6,221
Administrative expenses		(5,878)
OPERATING PROFIT	5	343
Interest receivable and similar income		3
Interest payable and expenses	9	(78)
PROFIT BEFORE TAXATION		268
Tax on profit	10	(209)
PROFIT FOR THE FINANCIAL 16 MONTHS		59

There was no other comprehensive income for 2017.

The notes on pages 14 to 31 form part of these financial statements.

SITEC DESIGN LIMITED
REGISTERED NUMBER:10080721

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2017

	Note	2017 £000
FIXED ASSETS		
Intangible assets	12	17,743
Tangible assets	13	294
		<u>18,037</u>
CURRENT ASSETS		
Debtors: amounts falling due within one year	15	18,113
Cash at bank and in hand	16	2,826
		<u>20,939</u>
Creditors: amounts falling due within one year	17	(9,221)
		<u>11,718</u>
NET CURRENT ASSETS		<u>29,755</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>29,755</u>
PROVISIONS FOR LIABILITIES		
Deferred taxation	19	(3)
NET ASSETS		<u><u>29,752</u></u>
CAPITAL AND RESERVES		
Called up share capital	20	14,185
Share premium account	21	15,508
Profit and loss account	21	59
		<u><u>29,752</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



D J Medlock
Director

Date:

23/1/18

The notes on pages 14 to 31 form part of these financial statements.

SITEC DESIGN LIMITED
REGISTERED NUMBER:10080721

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2017

	Note	2017 £000
FIXED ASSETS		
Investments	14	37,367
Creditors: amounts falling due within one year	17	(7,751)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>29,616</u>
NET ASSETS		<u>29,616</u>
CAPITAL AND RESERVES		
Called up share capital	20	14,185
Share premium account	21	15,508
Profit and loss account	21	(77)
		<u>29,616</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



D J Medlock
Director

Date:

23/1/18

SITEC DESIGN LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 16 MONTHS ENDED 31 JULY 2017**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Profit for the 16 months	-	-	59	59
Shares issued during the 16 months	14,185	15,508	-	29,693
AT 31 JULY 2017	14,185	15,508	59	29,752

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE 16 MONTHS ENDED 31 JULY 2017**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Loss for the 16 months	-	-	(77)	(77)
Shares issued during the 16 months	14,185	15,508	-	29,693
AT 31 JULY 2017	14,185	15,508	(77)	29,616

SITEC DESIGN LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 16 MONTHS ENDED 31 JULY 2017**

	2017 £000
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss for the period	59
ADJUSTMENTS FOR:	
Amortisation of intangible assets	2,730
Depreciation of tangible assets	79
Loss on disposal of tangible assets	12
Interest paid	78
Interest received	(3)
Taxation charge	209
(Increase)/decrease in debtors	(808)
Increase in creditors	4,259
Corporation tax (paid)/received	(128)
NET CASH GENERATED FROM OPERATING ACTIVITIES	6,487
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	3
Investment in subsidiary	(7,675)
Cash received on acquisition of subsidiary	345
NET CASH FROM INVESTING ACTIVITIES	(7,327)
CASH FLOWS FROM FINANCING ACTIVITIES	
Loan notes issued	3,744
Interest paid	(78)
NET CASH USED IN FINANCING ACTIVITIES	3,666
INCREASE IN CASH AND CASH EQUIVALENTS	2,826
CASH AND CASH EQUIVALENTS AT THE END OF 16 MONTHS	2,826
CASH AND CASH EQUIVALENTS AT THE END OF 16 MONTHS COMPRISE:	
Cash at bank and in hand	2,826
	2,826

The notes on pages 14 to 31 form part of these financial statements.

SITEC DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 16 MONTHS ENDED 31 JULY 2017

1. GENERAL INFORMATION

Sitec Design Limited is a limited liability company incorporated in England and Wales. The registered office is St George's Lodge, 33 Oldfield Road, Bath, BA2 3NE.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies 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 financial statements are prepared in sterling which is the functional currency of the company and group.

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

The following principal accounting policies have been applied:

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements present the results of the company and its own subsidiaries ("the group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 TURNOVER

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the group and the turnover can be reliably measured. Turnover 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 turnover is recognised:

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2. ACCOUNTING POLICIES (continued)

2.4 INTANGIBLE ASSETS

GOODWILL

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated statement of comprehensive income over its useful economic life.

2.5 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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using both the reducing balance and straight line methods.

Depreciation is provided on the following basis:

Long-term leasehold property	- 33% straight line
Motor vehicles	- 25% reducing balance
Fixtures and fittings	- 15% and 25% reducing balance
Computer equipment	- 15% and 25% straight line

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 Consolidated statement of comprehensive income.

2.6 VALUATION OF INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment.

2.7 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 16 MONTHS ENDED 31 JULY 2017

2. ACCOUNTING POLICIES (continued)

2.8 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 Consolidated 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 group's cash management.

2.9 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.

2.10 OPERATING LEASES: THE GROUP AS LESSEE

Rentals paid under operating leases are charged to the Consolidated statement of comprehensive income on a straight line basis over the lease term.

2.11 CURRENT AND DEFERRED TAXATION

The tax expense for the 16 months comprises current and deferred tax. Tax is recognised in the Consolidated 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 reporting date in the countries where the company and the group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2. ACCOUNTING POLICIES (continued)

2.12 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 Consolidated statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.13 WORK IN PROGRESS ON LONG-TERM CONTRACTS

Work in progress on long term contracts is measured in accordance with FRS 102, and is shown within accrued income. Revenue is recognised in parallel with percentage completion of the contract once it can be reliably measured.

2.14 PENSIONS

DEFINED CONTRIBUTION PENSION PLAN

The group operates a number of plans for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group 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 Statement of Financial Position. The assets of the plans are held separately from the group in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 16 MONTHS ENDED 31 JULY 2017**

2. ACCOUNTING POLICIES (continued)

2.15 FINANCIAL INSTRUMENTS

The group only enters into basic financial instruments 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 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.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of comprehensive income.

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.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position 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.

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

Preparation of the financial statements requires management to make significant judgments and estimates. The items in the financial statements where these significant judgments and estimates have been made include:

Amortisation charge

The group recognises an amortisation charge in respect of goodwill within the accounts. An amortisation period of 10 years has been adopted based on the reasonable expected life of a customer contract to which the goodwill relates.

Accrued income

The group recognises accrued income in relation to unbilled staff hours. This has been measured as being equal to the associated staff costs.

SITEC DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 16 MONTHS ENDED 31 JULY 2017

4. TURNOVER

The whole of the turnover is attributable to the principal activity of the group.

Analysis of turnover by country of destination:

	16 months 31 July 2017 £000
United Kingdom	21,440
	<u>21,440</u>

5. OPERATING PROFIT

The operating profit is stated after charging:

	16 months 31 July 2017 £000
Depreciation of tangible fixed assets	79
Amortisation of intangible assets, including goodwill	2,730
Exchange differences	(20)
Other operating lease rentals	373
Defined contribution pension cost	176
	<u>3,338</u>

6. AUDITORS' REMUNERATION

	16 months 31 July 2017 £000
Fees payable to the group's auditor and its associates for the audit of the group's annual financial statements	19

FEES PAYABLE TO THE GROUP'S AUDITOR AND ITS ASSOCIATES IN RESPECT OF:

Taxation compliance services	3
	<u>3</u>

SITEC DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 16 MONTHS ENDED 31 JULY 2017

7. EMPLOYEES

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

	Group 2017 £000	Company 2017 £000
Wages and salaries	2,079	-
Social security costs	206	-
Cost of defined contribution scheme	176	-
	<u>2,461</u>	<u>-</u>

The average monthly number of employees, including the directors, during the 16 months was as follows:

	16 months 31 July 2017 No.
Directors	5
Administration	17
Technical	45
	<u>67</u>

8. DIRECTORS' REMUNERATION

	16 months 31 July 2017 £000
Directors' emoluments	169
Company contributions to defined contribution pension schemes	64
	<u>233</u>

During the 16 months retirement benefits were accruing to 4 directors in respect of defined contribution pension schemes.

The highest paid director received remuneration of £92,000.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £62,000.

SITEC DESIGN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 16 MONTHS ENDED 31 JULY 2017**

9. INTEREST PAYABLE AND SIMILAR CHARGES

	16 months 31 July 2017 £000
Other interest payable	78
	78

10. TAXATION

	16 months 31 July 2017 £000
CORPORATION TAX	
Current tax on profits for the year	292
Adjustments in respect of previous periods	(86)
TOTAL CURRENT TAX	206
DEFERRED TAX	
Origination and reversal of timing differences	3
TOTAL DEFERRED TAX	3
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	209

SITEC DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 16 MONTHS ENDED 31 JULY 2017

10. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE 16 MONTHS

The tax assessed for the 16 months is lower than the standard rate of corporation tax in the UK of 19.75%. The differences are explained below:

	16 months 31 July 2017 £000
Profit on ordinary activities before tax	268
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.75%	53
EFFECTS OF:	
Expenses not deductible for tax purposes	549
Adjustments to tax charge in respect of prior periods	(73)
Additional deductions for research and development expenditure	(319)
Adjust deferred tax to average rate of 19.75%	(1)
TOTAL TAX CHARGE FOR THE 16 MONTHS	209

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted in the Finance Act 2016.

11. PARENT COMPANY PROFIT FOR THE YEAR

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent company for the 16 months was £77,000.

SITEC DESIGN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 16 MONTHS ENDED 31 JULY 2017**

12. INTANGIBLE ASSETS

Group and Company

	Goodwill £000
COST	
Additions	20,473
Disposals	(27)
On acquisition of subsidiaries	27
At 31 July 2017	<u>20,473</u>
AMORTISATION	
Charge for the year	2,730
On disposals	(27)
On acquisition of subsidiaries	27
At 31 July 2017	<u>2,730</u>
NET BOOK VALUE	
At 31 July 2017	<u><u>17,743</u></u>

SITEC DESIGN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 16 MONTHS ENDED 31 JULY 2017**

13. TANGIBLE FIXED ASSETS

Group

	Long-term leasehold property £000	Motor vehicles £000	Fixtures and fittings £000	Computer equipment £000	Total £000
COST OR VALUATION					
Additions	7	58	122	180	367
Acquisition of subsidiary	-	-	15	3	18
Disposals	-	(11)	(2)	-	(13)
Exchange adjustments	-	-	1	-	1
At 31 July 2017	7	47	136	183	373
DEPRECIATION					
Charge for the 16 months on owned assets	2	12	19	46	79
At 31 July 2017	2	12	19	46	79
NET BOOK VALUE					
At 31 July 2017	5	35	117	137	294

SITEC DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 16 MONTHS ENDED 31 JULY 2017

14. FIXED ASSET INVESTMENTS

Company

	Investments in subsidiary companies £000
COST OR VALUATION	
Additions	37,367
At 31 July 2017	37,367
NET BOOK VALUE	
At 31 July 2017	37,367

For further information on subsidiaries acquired during the year, see note 22.

15. DEBTORS

	Group 2017 £000	Company 2017 £000
Trade debtors	3,526	-
Other debtors	14,018	-
Prepayments and accrued income	569	-
	18,113	-

16. CASH AND CASH EQUIVALENTS

	Group 2017 £000	Company 2017 £000
Cash at bank and in hand	2,826	-
	2,826	-

SITEC DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 16 MONTHS ENDED 31 JULY 2017

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2017 £000	Company 2017 £000
Loan notes	3,744	3,744
Trade creditors	183	-
Corporation tax	78	-
Other taxation and social security	198	-
Other creditors	4,661	3,930
Accruals and deferred income	357	77
	<u>9,221</u>	<u>7,751</u>

As part of a group restructure, loan notes valued at £3,744,000 were issued. These loan notes charge interest at 1.25% above the Bank of England base rate. The loan notes are due for repayment 24 months from the date of issue.

18. FINANCIAL INSTRUMENTS

	Group 2017 £000	Company 2017 £000
FINANCIAL ASSETS		
Financial assets measured at fair value through profit or loss	2,826	-
Financial assets that are debt instruments measured at amortised cost	17,572	-
	<u>20,398</u>	<u>-</u>
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	8,741	(7,751)
	<u>8,741</u>	<u>(7,751)</u>

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

Financial assets that are debt instruments measured at amortised cost comprise trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise of trade creditors, other creditors, accruals and loan notes.

SITEC DESIGN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 16 MONTHS ENDED 31 JULY 2017**

19. DEFERRED TAXATION

Group

**2017
£000**

Charged to profit or loss

(3)

AT END OF YEAR

(3)

**Group
2017
£000**

Accelerated capital allowances

(5)

Short term timing differences

2

(3)

SITEC DESIGN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 16 MONTHS ENDED 31 JULY 2017**

20. SHARE CAPITAL

	2017 £000
SHARES CLASSIFIED AS EQUITY	
ALLOTTED, CALLED UP AND FULLY PAID	
14,185,387 Ordinary shares of £1 each	<u>14,185</u>

During the year, the company has issued 14,185,387 £1 Ordinary shares at par.

21. RESERVES

Share premium account

The share premium account includes any premium received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account

The profit and loss account reserve includes all current and prior period retained profit and losses.

SITEC DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 16 MONTHS ENDED 31 JULY 2017

22. BUSINESS COMBINATIONS

Acquisition of Sitec Holdings Limited and its subsidiaries

	Book value £000	Fair value £000
Tangible	18	18
	<u>18</u>	<u>18</u>
Debtors	17,304	17,304
Cash at bank and in hand	345	345
TOTAL ASSETS	<u>17,667</u>	<u>17,667</u>
Due within one year	(773)	(773)
FAIR VALUE OF NET ASSETS	<u>16,894</u>	<u>16,894</u>
Goodwill	20,473	20,473
TOTAL PURCHASE CONSIDERATION	<u>37,367</u>	<u>37,367</u>
Purchase consideration settled in cash, with the remainder settled with a share for share exchange	7,675	7,675
Cash and cash equivalents in subsidiary acquired	345	345
CASH OUTFLOW ON ACQUISITION	<u>8,020</u>	<u>8,020</u>

The results of Sitec Holdings Limited and its subsidiaries since its acquisition are as follows:

	Current period since acquisition £000
Turnover	21,581
	<u>21,581</u>
Profit before tax for the period	2,894
	<u>2,894</u>

23. PENSION COMMITMENTS

The group operates a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the funds and amounted to £192,000. Contributions totalling £12,000 were payable to the funds at the reporting date and are included in creditors.

SITEC DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 16 MONTHS ENDED 31 JULY 2017

24. COMMITMENTS UNDER OPERATING LEASES

At 31 July 2017 the group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £000
Not later than 1 year	199
Later than 1 year and not later than 5 years	663
Later than 5 years	27
	889

25. RELATED PARTY TRANSACTIONS

	2017 £000
Amounts due from companies under common directorship	(14,231)
Amounts due to companies under common directorship	4,484
Sales to companies under common directorship	350
Purchases from companies under common directorship	39
Purchase of fixed assets from a company under common directorship	294
Sales to directors of the company	2
Contributions to pension fund under common directorship	64
	64

In addition to those related party transactions listed above, further related party transactions occurred as part of the business combinations which are detailed in note 22.

As part of these acquisitions, shares valued at £29,693,000 were exchanged with directors of the company and their close family.

In addition, consideration of £7,488,000 was paid to a director's wife for her shareholding in one of the acquired companies. As part of the same transaction, loan notes valuing £3,744,000 were also acquired. These loan notes charge interest at 1.25% above the Bank of England base rate. During the period, an interest charge of £77,000 was recognised and accrued in respect of these loan notes.

26. CONTROLLING PARTY

The ultimate controlling party is D J Medlock by virtue of his majority shareholding.

SITEC DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 16 MONTHS ENDED 31 JULY 2017

27. SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
Sitec Holdings Limited	Ordinary	100 %	Holding company
Sitec Engineering Limited	Ordinary	100 %	Provision of specialist engineering services
SG Aerospace India	Ordinary	100 %	Provision of specialist engineering services
Sitec Limited	Ordinary	100 %	Dormant
JRA Aerospace Limited *	Ordinary	100 %	Non-trading
SG Aerospace SARL *	Ordinary	100 %	Non-trading

*Company struck off during the year.