Registered number: 10080721

SITEC DESIGN LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

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COMPANIES HOUSE

Bishop Fleming

SITEC DESIGN LIMITED

COMPANY INFORMATION

DIRECTORS	K Barnes (appointed 26 July 2016, resigned 22 June 2018) 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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GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 JULY 2018

INTRODUCTION

The Directors present their Strategic Report for the year ended 31 July 2018.

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 and Bath together with its subsidiary company in India.

Financial review

The results of the group, as set out on pages 10 to 35 which show a loss before taxation of £2.982 million (2017: profit £267,000).

The loss for the year is after accounting for amortisation of goodwill of £2.047 million (2017 £2.730 million) and following an impairment review of goodwill, a write down in goodwill of £2.596 million.

Before accounting for these adjustments the group made an operating profit of £1.645 million (2017: 16 month Profit £3.072 million).

Group Shareholder funds as at 31 July 2018 amounted to £26.847 million (2017: £29.752 million).

Turnover for the period amounted to £13.423 million (2017 16 months: £21.440 million). Turnover exceeded forecast for the year by £1.288 million.

Due to the competitive environment the group operates in, the gross margin reduced from 29.02% in 2017 to 26.42% for 2018. Despite this reduction, the group exceeded its gross profit target of £3.485 million, achieving a gross profit of £3.546 million.

Directors consider these results satisfactory.

Cash and short term investments held by the group amounted to £6.162 million (2017: £2.826 million) as at 31 July 2018. Cash generated from operating activities amounted to £7.075 million. This included £5.674 million in loan repayments to the group by related companies under the directors' control. During the year, the group repaid loan notes of £3.744 million.

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.

Financial performance

	2018	2017
	£'000	£'000
Turnover	13,423	21,440
Gross profit	3,546	6,221
Gross profit margin	26.42%	29.01%
Goodwill Amortisation	(2,047)	(2,730)
Impairment of Goodwill	(2,596)	-
Profit before tax	(2,982)	267

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 - The company exceeded its sales target for the year by approximately £1.288 million and for the current financial year is approximately 15% of target and approximately 11% ahead of its Gross Profit target.
- Cash collected and debtor book - Cash collected during the year net of VAT amounted to approximately £13.2 million. Trade Debtor days increased from an average of 71 in 2017 to 85 in 2018.
- 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.

Customer concentration
The company has a small client base and in particular Airbus continues to be its main client. The company continues to be an E2S supplier to Airbus and this business relationship is considered strong. There are no present indications that Brexit will have an effect on that relationship.

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

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 The Coles-Medlock Foundation Charitable Trust (Registered Charity number 1132780). These are the vehicles through which Sitec Group invests in the communities it has served over the years.

This report was approved by the board on 30/1/19 and signed on its behalf.

A. Amb

A Ambridge
Secretary

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 JULY 2018

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

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 loss for the year, after taxation, amounted to £2,886,000 (2017: profit £59,000).

DIRECTORS

The directors who served during the year were:

K Barnes (appointed 26 July 2016, resigned 22 June 2018)
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 (Stategic 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.

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: 30/01/19.

33 Oldfield Road
Bath
United Kingdom
BA2 3NE

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 JULY 2018

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SITEC DESIGN LIMITED

OPINION

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

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 July 2018 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- 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 Group's or the parent 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.

OTHER INFORMATION

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

We have nothing to report in respect of the following matters in relation to which 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.

RESPONSIBILITIES OF DIRECTORS

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent 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 Group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

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

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.

Bishop Fleming Bath Limited

John Talbot 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: 30.1.19

SITEC DESIGN LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2018

	Note	Year ended 31 July 2018 £000	16 months ended 31 July 2017 £000
Turnover	4	**13,423**	21,440
Cost of sales		**(9,877)**	(15,219)
GROSS PROFIT		**3,546**	6,221
Administrative expenses		**(3,948)**	(5,879)
Exceptional administrative expenses	11	**(2,596)**	-
OPERATING (LOSS)/PROFIT	5	**(2,998)**	342
Income from fixed assets investments		**28**	-
Interest receivable and similar income		**31**	3
Interest payable and expenses	9	**(43)**	(78)
(LOSS)/PROFIT BEFORE TAXATION		**(2,982)**	267
Tax on (loss)/profit	10	**96**	(208)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		**(2,886)**	59

There was no other comprehensive income for 2018 (2017:£NIL).

The notes on pages 17 to 35 form part of these financial statements.

SITEC DESIGN LIMITED
REGISTERED NUMBER:10080721

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2018

	Note		2018 £000		2017 £000
FIXED ASSETS					
Intangible assets	13		**13,100**		17,743
Tangible assets	14		**225**		294
			13,325		18,037
CURRENT ASSETS					
Debtors: amounts falling due within one year	16	**12,961**		18,113	
Current asset investments	17	**1,000**		-	
Cash at bank and in hand	18	**5,162**		2,826	
		19,123		20,939	
Creditors: amounts falling due within one year	19	**(5,601)**		(9,221)	
NET CURRENT ASSETS			**13,522**		11,718
TOTAL ASSETS LESS CURRENT LIABILITIES			**26,847**		29,755
PROVISIONS FOR LIABILITIES					
Deferred taxation	21		**-**		(3)
NET ASSETS			**26,847**		29,752
CAPITAL AND RESERVES					
Called up share capital	22		**14,185**		14,185
Share premium account	23		**15,508**		15,508
Foreign exchange reserve	23		**(19)**		-
Profit and loss account	23		**(2,827)**		59
			26,847		29,752

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

D J Medlock
Director

Date: 30/1/19

The notes on pages 17 to 35 form part of these financial statements.

SITEC DESIGN LIMITED
REGISTERED NUMBER:10080721

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2018

	Note		2018 £000		2017 £000
FIXED ASSETS					
Investments	15		**34,600**		37,367
CURRENT ASSETS					
Debtors: amounts falling due within one year	16	**7**		-	
		7		-	
Creditors: amounts falling due within one year	19	**(7,794)**		(7,751)	
NET CURRENT LIABILITIES			**(7,787)**		(7,751)
TOTAL ASSETS LESS CURRENT LIABILITIES			**26,813**		29,616
NET ASSETS			**26,813**		29,616
CAPITAL AND RESERVES					
Called up share capital	22		**14,185**		14,185
Share premium account	23		**15,508**		15,508
Profit and loss account	23		**(2,880)**		(77)
			26,813		29,616

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

D J Medlock
Director

Date: 30/1/19

The notes on pages 17 to 35 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2018

	Called up share capital	Share premium account	Foreign exchange reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 August 2017	14,185	15,508	-	59	29,752
Loss for the year	-	-	-	(2,886)	(2,886)
Foreign exchange	-	-	(19)	-	(19)
AT 31 JULY 2018	**14,185**	**15,508**	**(19)**	**(2,827)**	**26,847**

The notes on pages 17 to 35 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 JULY 2017

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

The notes on pages 17 to 35 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2018

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 August 2017	**14,185**	**15,508**	**(77)**	**29,616**
Loss for the year	**-**	**-**	**(2,803)**	**(2,803)**
AT 31 JULY 2018	**14,185**	**15,508**	**(2,880)**	**26,813**

The notes on pages 17 to 35 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 JULY 2017

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

The notes on pages 17 to 35 form part of these financial statements.

SITEC DESIGN LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2018

	2018 £000	2017 £000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) for the year	**(2,886)**	59
ADJUSTMENTS FOR:		
Amortisation of intangible assets	**4,643**	2,730
Depreciation of tangible assets	**76**	79
Loss on disposal of tangible assets	**-**	12
Interest paid	**43**	78
Interest received	**(31)**	(3)
Taxation charge	**(96)**	209
Decrease/(increase) in debtors	**5,170**	(808)
Increase in creditors	**202**	4,259
Corporation tax (paid)	**(3)**	(128)
Foreign exchange movements	**(15)**	-
Investment income	**(28)**	-
NET CASH GENERATED FROM OPERATING ACTIVITIES	**7,075**	6,487
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible fixed assets	**(52)**	-
Sale of tangible fixed assets	**41**	-
Purchase of current asset listed investments	**(1,000)**	-
Interest received	**31**	3
Investment in subsidairy	**-**	(7,675)
Cash received on acquisition of subsidiary	**-**	345
Investment income	**28**	-
NET CASH FROM INVESTING ACTIVITIES	**(952)**	(7,327)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2018

	2018 £000	2017 £000
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan notes issued	-	3,744
Repayment of loan notes	(3,744)	-
Interest paid	(43)	(78)
NET CASH USED IN FINANCING ACTIVITIES	(3,787)	3,666
INCREASE IN CASH AND CASH EQUIVALENTS	2,336	2,826
Cash and cash equivalents at beginning of year	2,826	-
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	5,162	2,826
CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:		
Cash at bank and in hand	5,162	2,826
	5,162	2,826

The notes on pages 17 to 35 form part of these financial statements.

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 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 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 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, which is estimated to be 10 years.

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. ACCOUNTING POLICIES (continued)

2.6 IMPAIRMENT OF FIXED ASSETS AND GOODWILL

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.7 VALUATION OF INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in listed company shares are remeasured to market value at each Statement of Financial Position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.8 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.

2.9 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.

2.10 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.

2.11 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. ACCOUNTING POLICIES (continued)

2.12 CURRENT AND DEFERRED TAXATION

The tax expense for the year 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.

2.13 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. ACCOUNTING POLICIES (continued)

2.14 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.

2.15 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.

2. ACCOUNTING POLICIES (continued)

2.16 FINANCIAL INSTRUMENTS

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

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

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:

Impairment of investment in subsidiaries and goodwill
The group reviews the carrying value of investments in subsidiaries and carrying value of consolidated goodwill on an annual basis or if an event occurs that could indicate an impairment to the underlying trade. These reviews are based upon standard approaches and are reliant on management's assumptions.

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.

4. TURNOVER

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

All turnover arose within the United Kingdom.

5. OPERATING (LOSS)/PROFIT

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

	Year ended 31 July 2018 £000	16 months ended 31 July 2017 £000
Depreciation of tangible fixed assets	**76**	79
Amortisation of intangible assets, including goodwill	**2,047**	2,730
Impairment of intangible assets	**2,596**	-
Exchange differences	**6**	(20)
Other operating lease rentals	**199**	373
Defined contribution pension cost	**70**	176

6. AUDITORS' REMUNERATION

	Year ended 31 July 2018 £000	16 months ended 31 July 2017 £000
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	**24**	22

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

Taxation compliance services	**3**	3
Other services	**2**	1

7. EMPLOYEES

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

	Group Year ended 31 July 2018 £000	Group 16 months ended 31 July 2017 £000	Company Year ended 31 July 2018 £000	Company 16 months ended 31 July 2017 £000
Wages and salaries	**1,985**	2,073	**-**	-
Social security costs	**72**	206	**-**	-
Cost of defined contribution scheme	**70**	176	**-**	-
	2,127	2,455	**-**	-

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

	Year ended 31 July 2018 No.	16 months ended 31 July 2017 No.
Directors	**4**	5
Administration	**19**	17
Technical	**31**	45
	54	67

8. DIRECTORS' REMUNERATION

	Year ended 31 July 2018 £000	16 months ended 31 July 2017 £000
Directors' emoluments	**133**	169
Company contributions to defined contribution pension schemes	**37**	64
	170	233

During the year retirement benefits were accruing to 4 directors (2017: 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £96,000 (2017: £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 £37,000 (2017: £62,000).

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year ended 31 July 2018 £000	16 months ended 31 July 2017 £000
Other loan interest payable	**43**	77
Other interest payable	**-**	1
	43	78

10. TAXATION

	Year ended 31 July 2018 £000	16 months ended 31 July 2017 £000
CORPORATION TAX		
Current tax on losses for the year	**6**	292
Adjustments in respect of previous periods	**(82)**	(86)
TOTAL CURRENT TAX	**(76)**	206
DEFERRED TAX		
Origination and reversal of timing differences	**(5)**	2
Adjustment in relation to prior period	**(15)**	-
TOTAL DEFERRED TAX	**(20)**	2
TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	**(96)**	208

FACTORS AFFECTING TAX CHARGE FOR THE YEAR/PERIOD

The tax assessed for the year/period is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.75%). The differences are explained below:

	Year ended 31 July 2018 £000	16 months ended 31 July 2017 £000
(Loss)/profit on ordinary activities before tax	**(2,982)**	267
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.75%)	**(567)**	53
EFFECTS OF:		
Non-tax deductible amortisation of goodwill and impairment	**886**	548
Expenses not deductible for tax purposes	**(7)**	-
Adjustments to tax charge in respect of prior periods	**(82)**	(73)
Adjustments to tax charge in respect of prior periods - deferred tax	**(15)**	-
Additional deductions for research and development expenditure	**(309)**	(319)
Adjust deferred tax to average rate	**(2)**	(1)
TOTAL TAX CHARGE FOR THE YEAR/PERIOD	**(96)**	208

10. TAXATION (CONTINUED)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Reductions in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted in the Finance Act 2016.

11. EXCEPTIONAL ITEMS

	Year ended 31 July 2018 £000	16 months ended 31 July 2017 £000
Impairment of goodwill	**2,596**	-
	2,596	-

During the current period, the directors performed an impairment review based on the latest available information and as a result impairment of £2,596,000 was deemed necessary.

12. 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 year/period was £2,803,000 (2017: loss £77,000).

13. INTANGIBLE ASSETS

Group

	Goodwill £000
COST	
At 1 August 2017	**20,473**
At 31 July 2018	**20,473**
AMORTISATION	
At 1 August 2017	**2,730**
Charge for the year	**2,047**
Impairment charge	**2,596**
At 31 July 2018	**7,373**
NET BOOK VALUE	
At 31 July 2018	**13,100**
At 31 July 2017	17,743

14. TANGIBLE FIXED ASSETS

Group

	Long-term leasehold property £000	Motor vehicles £000	Fixtures and fittings £000	Computer equipment £000	Total £000
COST OR VALUATION					
At 1 August 2017	7	47	136	183	373
Additions	-	23	-	29	52
Disposals	-	(51)	-	-	(51)
Exchange adjustments	(1)	-	(2)	(1)	(4)
At 31 July 2018	6	19	134	211	370
DEPRECIATION					
At 1 August 2017	2	12	19	46	79
Charge for the year on owned assets	2	4	17	53	76
Disposals	-	(10)	-	-	(10)
At 31 July 2018	4	6	36	99	145
NET BOOK VALUE					
At 31 July 2018	2	13	98	112	225
At 31 July 2017	5	35	117	137	294

15. FIXED ASSET INVESTMENTS

Company

	Investments in subsidiary companies £000
COST OR VALUATION	
At 1 August 2017	**37,367**
At 31 July 2018	**37,367**
IMPAIRMENT	
Charge for the period	**2,767**
At 31 July 2018	**2,767**
NET BOOK VALUE	
At 31 July 2018	**34,600**
At 31 July 2017	37,367

During the current period, upon review of the carrying value of investments an impairment of £2,767,000 was deemed necessary.

16. DEBTORS

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Trade debtors	**3,750**	3,526	**-**	-
Other debtors	**8,610**	14,018	**-**	-
Prepayments and accrued income	**584**	569	**-**	-
Deferred taxation	**17**	-	**7**	-
	12,961	18,113	**7**	-

17. CURRENT ASSET INVESTMENTS

	Group 2018 £000	Group 2017 £000
Listed investments	**1,000**	-
	1,000	-

The market value of the listed investments at 31 July 2018 was £999,899.

18. CASH AND CASH EQUIVALENTS

	Group 2018 £000	Group 2017 £000
Cash at bank and in hand	**5,162**	2,826
	5,162	2,826

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Loan notes	-	3,744	-	3,744
Trade creditors	**346**	183	-	-
Corporation tax	-	78	-	-
Other taxation and social security	**259**	198	-	-
Other creditors	**4,715**	4,661	**7,794**	3,930
Accruals and deferred income	**281**	357	-	77
	5,601	9,221	**7,794**	7,751

During the prior period, as part of a group restructure, loan notes valued at £3,744,000 were issued. These loan notes charged interest at 1.25% above the Bank of England base rate. The loan notes were fully repaid during the year.

20. FINANCIAL INSTRUMENTS

	Group 2018 £000	Group 2017 £000	**Company 2018 £000**	Company 2017 £000
FINANCIAL ASSETS				
Financial assets measured at fair value through profit or loss	**6,162**	2,826	**-**	-
Financial assets that are debt instruments measured at amortised cost	**12,359**	17,543	**-**	-
	18,521	20,369	**-**	-
FINANCIAL LIABILITIES				
Financial liabilities measured at amortised cost	**(5,342)**	(8,945)	**(7,794)**	(7,752)

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

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.

21. DEFERRED TAXATION

Group

	2018 £000
At beginning of year	(3)
Charged to profit or loss	20
AT END OF YEAR	**17**

Company

	2018 £000
Charged to profit or loss	7
AT END OF YEAR	**7**

	Group 2018 £000	Group 2017 £000	Company 2018 £000
Accelerated capital allowances	(5)	(5)	-
Tax losses carried forward	7	-	7
Short term timing differences	15	2	-
	17	(3)	7

The company had no deferred tax asset or liabilty at 31 July 2017.

22. SHARE CAPITAL

	2018 £000	2017 £000
ALLOTTED, CALLED UP AND FULLY PAID		
14,185,387 (2017: 14,185,387) Ordinary shares of £1.00 each	**14,185**	14,185

23. 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.

Foreign exchange reserve

The foreign exchange reserve comprises translation differences arising from the translation of financial statements of the group's foreign entities into Sterling (£).

Profit and loss account

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

24. 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 £70,000 (2017: £192,000). Contributions totalling £15,000 (2017: £12,000) were payable to the funds at the reporting date and are included in creditors.

25. COMMITMENTS UNDER OPERATING LEASES

At 31 July 2018 the Group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £000	Group 2017 £000
Not later than 1 year	**199**	199
Later than 1 year and not later than 5 years	**464**	663
Later than 5 years	**-**	27
	663	889

26. RELATED PARTY TRANSACTIONS

	2018 £000	2017 £000
Amounts due from directors of the company	**9**	-
Amounts due from companies under common directorship	**8,513**	14,231
Amounts due to companies under common directorship	**4,440**	4,484
Sales to companies under common directorship	**304**	350
Purchases from companies under common directorship	**479**	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	**5**	64

During the year, the company repaid £5,762,00 against balances owed to companies under common directorship.

During the year, the company repaid loan notes with a nominal value of £3,744,153 to a shareholder.

27. CONTROLLING PARTY

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

28. 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 Aeropace India	Ordinary	100 %	Provision of specialist engineering services
Sitec Limited	Ordinary	100 %	Dormant

Sitec Holdings Limited, Sitec Engineering Limited and Sitec Limited are registered in England and Wales. SG Aeropace India is registered in India.