

Registered number 1195730

**RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART  
LIMITED)**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MAY 2011**

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**RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**

**COMPANY INFORMATION**

<b>Directors</b>	S C Holt D Nutton W Maciver
<b>Company secretary</b>	S P Comer
<b>Company number</b>	1195730
<b>Registered office</b>	Metcalf Drive Altham Industrial Estate Accrington Lancashire BB5 5AY
<b>Auditors</b>	PKF (UK) LLP 3 Hardman Street Spinningfields Manchester M3 3HF
<b>Bankers</b>	National Westminster Bank plc Accrington Lancashire BB5 1NB
<b>Solicitors</b>	Mace & Jones 14 Oxford Court Bishopsgate Manchester M2 3WQ

**RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**

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**RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MAY 2011**

The directors present their report and the financial statements for the year ended 31 May 2011

**Principal activities**

The principal activity of the company is the supply of precision manufacturing to the aerospace industry

**Business review, key performance indicators and future developments**

The company is committed to creating long-term value from meeting the needs of its customers in a timely and cost effective manner and from positively developing organic growth by means of self generated cashflow

The key performance indicators utilised by the company are sales and profits which are regularly monitored throughout the year against budgeted targets. Sales amounted to £42.3m of which £37.4m came from continuing operations and £4.9m from acquisitions. This was higher than budget and reflect the continued consolidation of the company's position in the market place

The directors expect the turnover during the coming year to increase due to the underlying growth of the market plus the full year impact of the business acquisition which will add around £28m on a full year basis. The acquisition strengthens the product and customer portfolio of the company

The directors are optimistic as to future prospects as a result of ongoing customer programmes and orders and the company's assessment of potential new projects

**Results and dividends**

The profit for the year, after taxation, amounted to £3,083,690 (2010 - £683,253)

The directors do not recommend the payment of an ordinary share dividend

**Directors**

The directors who served during the year were

S C Holt  
D Nutton  
W Maciver (appointed 1 April 2011)

**Risks and uncertainties**

The principal risks and uncertainties facing the company include changes in customer requirements and in level of demand in the market, competitive pressure on pricing, delivery or technological developments, utility costs, changes in government legislation, and overall economic conditions

**RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MAY 2011**

**Financial instruments**

Certain trade debtors and trade creditors are denominated in US dollars and a separate US dollar account is maintained so that any currency movement is offset within this account. A minimal value of trade creditors are denominated in Euros.

The company's financial risk management objective is to seek to reduce its exposure to currency movements and to make neither profit nor loss from exposure to currency risks.

The directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of its financial position or profit.

**Research and development activities**

The company continues to invest in the latest technology and employee training to maximise skill base and learning in order to safeguard employment and develop business capability for the future.

**Employee involvement**

The company holds consultations with its workforce on matters relating to current and future employment.

**Disabled employees**

It is the company's policy to give full consideration to suitable applications for employment from disabled persons. Special facilities are granted by the company for employees who become disabled to continue in their employment or to be trained for other positions within the company.

**Provision 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 that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

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



**S P Comer**  
Secretary

Date *27 September 2011*

**RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES  
FOR THE YEAR ENDED 31 MAY 2011**

The directors are responsible for preparing the Directors' report and the 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**

We have audited the financial statements of RLC (UK) Limited (formerly Callender (Lancashire) Aeropart Limited) for the year ended 31 May 2011 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 Auditing Practices Board'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 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 annual report to identify material inconsistencies with the audited financial statements. 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 company's affairs as at 31 May 2011 and of its profit 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.

**RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RLC (UK) LIMITED (FORMERLY  
CALLENDER (LANCASHIRE) AEROPART LIMITED)**

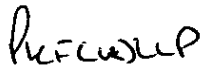
**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

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



**Mark Sykes** (Senior statutory auditor)  
for and on behalf of PKF (UK) LLP, Statutory Auditor  
Manchester, UK

3 October 2011



**RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MAY 2011**

	Note	2011 £	2010 £
<b>TURNOVER</b>	1,2		
Continuing operations		37,392,716	25,497,351
Acquisitions		4,859,694	-
		<u>42,252,410</u>	<u>25,497,351</u>
Cost of sales	3	<u>(33,656,407)</u>	<u>(21,213,068)</u>
<b>GROSS PROFIT</b>		8,596,003	4,284,283
Distribution costs	3	(252,047)	(178,512)
Administrative expenses	3	(3,826,147)	(2,973,765)
Other operating income		8,700	8,700
<b>OPERATING PROFIT</b>	4		
Continuing operations		3,748,811	1,140,706
Acquisitions		777,698	-
		4,526,509	1,140,706
Interest receivable and similar income		11,049	5,776
Interest payable and similar charges	6	<u>(195,799)</u>	<u>(154,846)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		4,341,759	991,636
Tax on profit on ordinary activities	7	<u>(1,258,069)</u>	<u>(308,383)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	16	<u><u>3,083,690</u></u>	<u><u>683,253</u></u>

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account

The notes on pages 10 to 24 form part of these financial statements

**RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**  
**REGISTERED NUMBER 1195730**

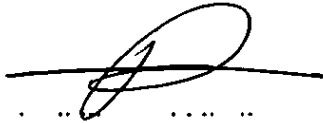
**BALANCE SHEET**  
**AS AT 31 MAY 2011**

	Note	£	2011 £	2010 £
<b>FIXED ASSETS</b>				
Intangible assets	8		2,720,321	1,191,898
Tangible assets	9		7,957,647	3,540,666
			<u>10,677,968</u>	<u>4,732,564</u>
<b>CURRENT ASSETS</b>				
Stocks	10	5,698,641	2,742,941	
Debtors	11	12,829,874	5,900,792	
Cash at bank and in hand		7,999,369	2,123,018	
		<u>26,527,884</u>	<u>10,766,751</u>	
<b>CREDITORS:</b> amounts falling due within one year	12	<u>(14,822,483)</u>	<u>(5,453,123)</u>	
<b>NET CURRENT ASSETS</b>			<u>11,705,401</u>	<u>5,313,628</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>22,383,369</u>	<u>10,046,192</u>
<b>CREDITORS</b> amounts falling due after more than one year	13		(13,282,760)	(4,226,864)
<b>PROVISIONS FOR LIABILITIES</b>				
Deferred tax	14		<u>(139,747)</u>	<u>(196,923)</u>
<b>NET ASSETS EXCLUDING PENSION SCHEME LIABILITY</b>			<u>8,960,862</u>	<u>5,622,405</u>
Defined benefit pension scheme liability	23		<u>(254,767)</u>	<u>-</u>
<b>NET ASSETS INCLUDING PENSION SCHEME LIABILITY</b>			<u>8,706,095</u>	<u>5,622,405</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	15		1,500,000	1,500,000
Capital redemption reserve	16		1,299,000	1,299,000
Profit and loss account	16		5,907,095	2,823,405
<b>SHAREHOLDER'S FUNDS</b>	17		<u>8,706,095</u>	<u>5,622,405</u>

**RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**

**BALANCE SHEET (continued)  
AS AT 31 MAY 2011**

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



**D Nutton**  
Director

Date *27 September 2011*

The notes on pages 10 to 24 form part of these financial statements

**RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MAY 2011**

	<b>Note</b>	<b>2011 £</b>	<b>2010 £</b>
Net cash flow from operating activities	19	<b>6,446,746</b>	1,399,141
Returns on investments and servicing of finance	20	<b>(184,750)</b>	(149,070)
Taxation	20	<b>(358,736)</b>	(402,432)
Capital expenditure and financial investment	20	<b>(5,256,497)</b>	(2,641,170)
Acquisitions and disposals	20	<b>3,969,769</b>	-
<b>CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>		<b>4,616,532</b>	(1,793,531)
Financing	20	<b>1,259,819</b>	1,525,864
<b>INCREASE/(DECREASE) IN CASH IN THE YEAR</b>		<b>5,876,351</b>	(267,667)

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT  
FOR THE YEAR ENDED 31 MAY 2011**

	<b>2011 £</b>	<b>2010 £</b>
Increase/(Decrease) in cash in the year	<b>5,876,351</b>	(267,667)
Cash inflow from increase in debt and lease financing	<b>(1,259,819)</b>	(1,525,864)
<b>CHANGE IN NET DEBT RESULTING FROM CASH FLOWS</b>	<b>4,616,532</b>	(1,793,531)
Other non-cash changes	<b>(7,796,077)</b>	-
	<b>-</b>	-
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	<b>(3,179,545)</b>	(1,793,531)
Net debt at 1 June 2010	<b>(2,103,846)</b>	(310,315)
<b>NET DEBT AT 31 MAY 2011</b>	<b>(5,283,391)</b>	(2,103,846)

The notes on pages 10 to 24 form part of these financial statements

**RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2011**

**1 ACCOUNTING POLICIES**

**1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

**1.2 Going concern**

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report

The company has adequate financial resources together with strong relationships with a number of customers and suppliers. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

**1.3 Turnover**

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts

Turnover is recognised on despatch of goods to customers

**1.4 Intangible fixed assets and amortisation**

Expenditure on research activities, undertaken with the prospect of obtaining new or scientific or technical knowledge and understanding, is recognised in the income statement as an expense when it is incurred. Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs materials, services and direct labour. Other development expenditure is recognised in the income statement as expense incurred. Capitalised development expenditure is stated at cost less accumulated amortisation over the period of expected benefit

Amortisation is provided at the following rates

Development expenditure	-	10% Straight line
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**1.5 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Plant & machinery	-	10-14% straight line
Motor vehicles	-	25% straight line
Fixtures & fittings	-	25% reducing balance
Computer equipment	-	20% straight line

**RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2011**

**1 ACCOUNTING POLICIES (continued)**

**1 6 Stocks and work in progress**

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

**1 7 Operating leases**

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

**1 8 Deferred taxation**

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

**1 9 Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

**1 10 Pensions**

The company operates a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 1 November 2008.

The company contributes to personal pension plans for certain employees of the company. The contributions are charged to the profit and loss when incurred.

**RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2011**

**2 TURNOVER**

A geographical analysis of turnover is as follows

	2011 £	2010 £
United Kingdom	29,118,722	16,454,521
Rest of European Union	26,198	-
Rest of world	13,107,490	9,042,830
	<u>42,252,410</u>	<u>25,497,351</u>

The whole of the turnover and profit before taxation from continuing activities is attributable to the supply of precision manufacturing to the aerospace and power generation industries

**3. COST OF SALES AND EXPENSES**

	2011 Continuing £	2010 Continuing £
Cost of sales	33,656,407	21,213,068
Selling and distribution costs	252,047	178,512
Administrative expenses	3,826,147	2,973,765
Other operating income	(8,700)	(8,700)

The following amounts were included within continuing activities in relation to acquisitions during the year

	2011 £	2010 £
Cost of sales	2,914,505	-
Selling and distribution costs	19,629	-
Administrative expenses	1,147,862	-

**4. OPERATING PROFIT**

The operating profit is stated after charging

	2011 £	2010 £
Depreciation of tangible fixed assets		
- owned by the company	870,615	597,403
Auditors' remuneration	22,333	24,866
Operating lease rentals		
- plant and machinery	82,090	29,808
- other operating leases	337,996	337,996
Difference on foreign exchange	369,671	113,898
Amortisation of deferred research and development expenditure	40,366	10,091

During the year, no director received any emoluments (2010 - £NIL)

**RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2011**

**5 STAFF COSTS**

Staff costs were as follows

	2011 £	2010 £
Wages and salaries	7,778,246	5,886,289
Social security costs	749,283	599,195
Other pension costs (Note 23)	734,046	465,317
	<u>9,261,575</u>	<u>6,950,801</u>

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

	2011 No	2010 No
Management and administration	31	22
Production	271	212
	<u>302</u>	<u>234</u>

**6 INTEREST PAYABLE**

	2011 £	2010 £
On loans from group undertakings	60,749	19,796
Dividends paid on shares classed as debt	135,050	135,050
	<u>195,799</u>	<u>154,846</u>

**7. TAXATION**

	2011 £	2010 £
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profit for the year	1,007,786	210,062
<b>Deferred tax</b>		
Origination and reversal of timing differences	257,577	98,321
Effect of increased tax rate on opening liability	(7,294)	-
<b>Total deferred tax</b> (see note 14)	<u>250,283</u>	<u>98,321</u>
<b>Tax on profit on ordinary activities</b>	<u>1,258,069</u>	<u>308,383</u>



**RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2011**

**7 TAXATION (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2010 - lower than) the standard rate of corporation tax in the UK of 28% (2010 - 28%) The differences are explained below

	2011 £	2010 £
Profit on ordinary activities before tax	<u>4,341,759</u>	<u>991,636</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010 - 28%)	1,215,693	277,658
<b>Effects of:</b>		
Expenses not deductible less income not taxable	59,482	71,148
Capital allowances for year in excess of depreciation	(252,789)	(135,986)
Short term timing differences	(7,770)	(2,758)
Change in tax rates	(6,830)	-
<b>Current tax charge for the year (see note above)</b>	<u><u>1,007,786</u></u>	<u><u>210,062</u></u>

**Factors that may affect future tax charges**

There were no factors that may affect future tax charges

**8. INTANGIBLE FIXED ASSETS**

	Develop- ment costs £
<b>Cost</b>	
At 1 June 2010	1,201,989
Additions	926,328
On acquisition of business in the year	642,461
At 31 May 2011	<u>2,770,778</u>
<b>Amortisation</b>	
At 1 June 2010	10,091
Charge for the year	40,366
At 31 May 2011	<u>50,457</u>
<b>Net book value</b>	
At 31 May 2011	<u><u>2,720,321</u></u>
At 31 May 2010	<u><u>1,191,898</u></u>

**RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2011**

**9 TANGIBLE FIXED ASSETS**

	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Computer equipment £	Tooling £	Total £
<b>Cost</b>						
At 1 June 2010	18,766,714	30,238	119,670	1,172,632	365,852	20,455,106
Additions	3,838,040	260	10,524	145,106	336,239	4,330,169
Disposals	(1,970,860)	-	-	-	-	(1,970,860)
On acquisition of business in the year	902,365	-	-	-	55,063	957,428
At 31 May 2011	<u>21,536,259</u>	<u>30,498</u>	<u>130,194</u>	<u>1,317,738</u>	<u>757,154</u>	<u>23,771,843</u>
<b>Depreciation</b>						
At 1 June 2010	15,481,777	11,081	59,561	1,109,787	252,234	16,914,440
Charge for the year	744,771	5,144	59,860	1,020	59,820	870,615
On disposals	(1,970,859)	-	-	-	-	(1,970,859)
At 31 May 2011	<u>14,255,689</u>	<u>16,225</u>	<u>119,421</u>	<u>1,110,807</u>	<u>312,054</u>	<u>15,814,196</u>
<b>Net book value</b>						
At 31 May 2011	<u>7,280,570</u>	<u>14,273</u>	<u>10,773</u>	<u>206,931</u>	<u>445,100</u>	<u>7,957,647</u>
At 31 May 2010	<u>3,284,937</u>	<u>19,157</u>	<u>60,109</u>	<u>62,845</u>	<u>113,618</u>	<u>3,540,666</u>

**10 STOCKS**

	2011 £	2010 £
Raw materials	2,545,051	959,976
Work in progress	2,836,913	1,674,420
Finished goods and goods for resale	316,677	108,545
	<u>5,698,641</u>	<u>2,742,941</u>

**11 DEBTORS**

	2011 £	2010 £
Trade debtors	11,628,323	5,200,435
Amounts owed by group undertakings	81,175	404
Other debtors	226,657	50,110
Prepayments and accrued income	893,719	649,843
	<u>12,829,874</u>	<u>5,900,792</u>

**RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2011**

**12. CREDITORS**

**Amounts falling due within one year**

	2011 £	2010 £
Trade creditors	9,722,309	4,435,294
Amounts owed to group undertakings	348,746	153,395
Corporation tax	1,222,579	-
Social security and other taxes	1,071,413	351,657
Accruals and deferred income	2,457,436	512,777
	<u>14,822,483</u>	<u>5,453,123</u>

**13. CREDITORS**

**Amounts falling due after more than one year**

	2011 £	2010 £
Loans owed to group undertakings	10,581,760	1,525,864
Share capital treated as debt (Note 15)	2,701,000	2,701,000
	<u>13,282,760</u>	<u>4,226,864</u>

Disclosure of the terms and conditions attached to the non-equity shares is made in note 15

£2,785,683 of the amount owed to group undertakings is repayable by June 2015 Interest on the loan is payable at 2% above the Bank of England base rate

£7,612,826 of the amount owed to group undertakings is repayable by March 2015 Interest on the loan is payable at 2% above the Bank of England base rate

**14 DEFERRED TAXATION**

	2011 £	2010 £
At beginning of year	196,923	98,602
Charge for year	250,283	98,321
On acquisition of business	(307,459)	-
	<u>139,747</u>	<u>196,923</u>

The provision for deferred taxation is made up as follows

	2011 £	2010 £
Accelerated capital allowances	185,365	238,496
Short term timing differences	(45,618)	(41,573)
	<u>139,747</u>	<u>196,923</u>

**RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2011**

**15. SHARE CAPITAL**

	2011 £	2010 £
<b>Shares classified as capital</b>		
<b>Allotted, called up and fully paid</b>		
1,500,000 Ordinary shares of £1 each	<u>1,500,000</u>	<u>1,500,000</u>
<b>Shares classified as debt</b>		
<b>Allotted, called up and fully paid</b>		
2,701,000 Preference shares of £1 each	<u>2,701,000</u>	<u>2,701,000</u>

The preference shares are redeemable at par in annual tranches from 31 December 2011 to 31 December 2015. They may be redeemed earlier in whole or in part as may be agreed between the holders of the majority of the preference shares and the company.

In the event of a winding up the preference shares would be repaid first by the amount paid or credited as paid up together with any arrears or accruals of fixed dividend.

There are no voting rights attached to the preference shares.

**16. RESERVES**

	Capital redempt'n reserve £	Profit and loss account £
At 1 June 2010	1,299,000	2,823,405
Profit for the year	-	3,083,690
At 31 May 2011	<u>1,299,000</u>	<u>5,907,095</u>

**17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2011 £	2010 £
Opening shareholders' funds	5,622,405	4,939,152
Profit for the year	<u>3,083,690</u>	<u>683,253</u>
Closing shareholders' funds	<u>8,706,095</u>	<u>5,622,405</u>

**RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS  
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**18. ACQUISITIONS AND DISPOSALS**

**Acquisitions**

On 31 March 2011 the company acquired the trade and assets of Langford Lodge Engineering Company Limited, a fellow subsidiary

	<b>Vendors' book value £</b>	<b>Fair value to the group £</b>
<b>Assets and liabilities acquired</b>		
Tangible fixed assets	902,365	902,365
Intangible fixed assets	642,461	642,461
Stocks	2,088,581	2,088,581
Debtors	6,188,001	6,188,001
Cash at bank	3,961,866	3,961,866
Other creditors and provisions	(6,170,448)	(6,170,448)
Net assets acquired	<u>7,612,826</u>	<u>7,612,826</u>
<b>Satisfied by</b>		
Consideration		
Intercompany loan		<u>7,612,826</u>

The summarised profit and loss account for Langford Lodge Engineering Limited for the period from 31 May 2010 to the date of acquisition was as follows

Turnover	<u>25,867,190</u>
Operating profit	<u>4,635,346</u>
Profit before tax	5,247,028
Taxation	<u>(1,453,119)</u>
Profit after tax	<u>3,793,909</u>

**RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS  
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**Acquisitions**

On 31 March 2011 the company acquired the trade and certain assets of RLC Engineering Services Limited, a fellow subsidiary

	<b>Vendors' book value £</b>	<b>Fair value to the group £</b>
<b>Assets and liabilities acquired</b>		
Tangible fixed assets	55,063	55,063
Debtors	389,556	389,556
Cash at bank	7,903	7,903
Other creditors and provisions	(269,271)	(269,271)
Net assets acquired	<u>183,251</u>	<u>183,251</u>
<b>Satisfied by</b>		
Consideration		
Intercompany loan		183,251
Surplus arising on consolidation taken to capital reserve (see note 16)		<u>-</u>

The summarised profit and loss account for RLC Engineering Services Limited for the period from 31 May 2010 to the date of acquisition was as follows

Turnover	2,089,875
Operating profit	<u>90,654</u>
Profit before tax	90,654
Taxation	(17,076)
Profit after tax	<u>73,578</u>

**19. NET CASH FLOW FROM OPERATING ACTIVITIES**

	<b>2011 £</b>	<b>2010 £</b>
Operating profit	4,526,509	1,140,706
Amortisation of intangible fixed assets	40,366	10,091
Depreciation of tangible fixed assets	870,615	597,404
Amortisation of grant	-	-
Profit on disposal of tangible fixed assets	-	(200)
Increase in stocks	(867,119)	(378,925)
Increase in debtors	(709,094)	(1,509,754)
Increase in creditors	2,585,469	1,539,819
Net cash inflow from operating activities	<u>6,446,746</u>	<u>1,399,141</u>

**RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2011**

**20 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT**

	2011 £	2010 £
<b>Returns on investments and servicing of finance</b>		
Non-equity dividends paid	(135,050)	(135,050)
Interest received	11,049	5,776
Interest paid	(60,749)	(19,796)
	<hr/>	<hr/>
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(184,750)</b>	<b>(149,070)</b>
	<hr/>	<hr/>
	2011 £	2010 £
<b>Taxation</b>		
Corporation tax	(358,736)	(402,432)
	<hr/>	<hr/>
	2011 £	2010 £
<b>Capital expenditure and financial investment</b>		
Expenditure on intangible assets	(926,328)	(1,053,409)
Purchase of tangible fixed assets	(4,330,169)	(1,587,961)
Sale of tangible fixed assets	-	200
	<hr/>	<hr/>
<b>Net cash outflow from capital expenditure</b>	<b>(5,256,497)</b>	<b>(2,641,170)</b>
	<hr/>	<hr/>
	2011 £	2010 £
<b>Acquisitions and disposals</b>		
Net cash acquired with subsidiary	3,969,769	-
	<hr/>	<hr/>
	2011 £	2010 £
<b>Financing</b>		
Other new loans	1,259,819	1,525,864
	<hr/>	<hr/>

**RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2011**

**21 ANALYSIS OF CHANGES IN NET DEBT**

	<b>1 June 2010 £</b>	<b>Cash flow £</b>	<b>Other non-cash changes £</b>	<b>31 May 2011 £</b>
Cash at bank and in hand	2,123,018	5,876,351	-	7,999,369
Debts falling due after more than one year	(4,226,864)	(1,259,819)	(7,796,077)	(13,282,760)
<b>Net debt</b>	<u>(2,103,846)</u>	<u>4,616,532</u>	<u>(7,796,077)</u>	<u>(5,283,391)</u>

**22 MAJOR NON-CASH TRANSACTIONS**

The non cash transaction included in note 21 represents the intercompany loans arising on the acquisition of the businesses described further in note 18

**23 PENSION COMMITMENTS**

The company contributes to personal pension plans. The pension cost charge represents contributions payable by the company to the fund and amounted to £683,290 (2010 - £465,317). Contributions totalling £65,172 (2010 - £58,972) were payable to the fund at the balance sheet date and are included in creditors.

The company acquired a defined benefit pension scheme obligation in the year. The movement in the scheme between the acquisition date and the year end are not considered material, however selected FRS17 disclosures are provided below.

The assets of the Scheme are managed by Legal and General Investment Managers in a fund independent from that of the Company.

Pension costs are assessed in accordance with the advice of a qualified actuary using the Projected Unit Method. The Scheme's assets are valued using the market value, for equities being the bid value.

The scheme was closed to future accrual on 28 February 2010 and all active members became deferred on that date. The service cost is therefore NIL.

A full actuarial valuation was carried out as at 1 November 2008 by a qualified independent actuary. The total contribution by the Company in the year amounted to £NIL.

The definition of Pensionable salary changed with effect from 1 November 2006 to restrict the future increase in pensionable salary to the increase in the Retail Prices Index or 5% per annum whichever is the less. As the scheme is closed to new members under the projected unit method the current service cost will increase as the members of the scheme approach retirement.



**RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS  
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**23 PENSION COMMITMENTS (continued)**

The amounts recognised in the Balance sheet are as follows

	2011 £	2010 £
Present value of funded obligations	(6,630,000)	-
Fair value of scheme assets	6,286,000	-
	<hr/>	<hr/>
Deficit in scheme	(344,000)	-
Related deferred tax asset	89,233	-
	<hr/>	<hr/>
Net liability	(254,767)	-
	<hr/>	<hr/>

Changes in the present value of the defined benefit obligation are as follows

	2011 £	2010 £
Acquired in the year	6,630,000	-
	<hr/>	<hr/>
Closing defined benefit obligation	6,630,000	-
	<hr/>	<hr/>

Changes in the fair value of scheme assets are as follows

	2011 £	2010 £
Acquired in the year	6,286,000	-
	<hr/>	<hr/>

The cumulative amount of actuarial gains and losses recognised in the Statement of total recognised gains and losses was £NIL (2010 - £NIL)

The company expects to contribute £NIL to its defined benefit pension scheme in 2012

The major categories of scheme assets as a percentage of total scheme assets are as follows

	2011	2010
European equities	41 00 %	- %
European bonds	47 00 %	- %
Cash	12 00 %	- %

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages)

	2011
Discount rate at 31 May	5.30 %
Expected return on scheme assets at 31 May	5.40 %
Inflation	3.20 %

RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)

NOTES TO THE FINANCIAL STATEMENTS  
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23 PENSION COMMITMENTS (continued)

Amounts for the current period are as follows

Defined benefit pension schemes

	2011 £
Defined benefit obligation	(6,630,000)
Scheme assets	6,286,000
Deficit	<u>(344,000)</u>

24. OPERATING LEASE COMMITMENTS

At 31 May 2011 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings			Other
	2011	2010	2011	2010
	£	£	£	£
Expiry date:				
Within 1 year	-	-	30,000	30,000
Between 2 and 5 years	<u>400,000</u>	<u>400,000</u>	<u>-</u>	<u>-</u>

25 OTHER FINANCIAL COMMITMENTS

At the balance sheet date the company had forward exchange contracts to sell US\$5,700,000

**RLC (UK) LIMITED (FORMERLY CALLENDER (LANCASHIRE) AEROPART LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2011**

**26 RELATED PARTY TRANSACTIONS**

The company is related to RLC Engineering Group Limited, the parent company. During the year the company was charged rent of £400,000 (2010 £400,000), recharges of £572,054 and interest of £60,016. The company also declared £135,050 (2010 £135,050) as preference dividends to the parent during the year. Included in creditors due in less than one year is an amount of £128,163 (2010 £107,562) due to RLC Engineering Group Limited.

The company is related to Ronaldsway Aircraft Company Limited, a fellow subsidiary. During the year the company provided goods and services of £137,281 (2010 £139,713) to Ronaldsway Aircraft Company Limited. During the year the company was charged £582,238 for goods and services by Ronaldsway Aircraft Company Limited. Included in creditors due in less than one year is a sum of £220,583 (2010 £23,564) due to Ronaldsway Aircraft Company Limited, and included in debtors is a sum of £147,917.

The company is related to RLC Engineering Services Limited, a fellow subsidiary. During the year the company was charged £796,414 (2010 £881,517) for goods and services by RLC Engineering Services Limited. The company received £51,670 for rent from RLC Engineering Services Limited. As disclosed in note 18 the company acquired trade and certain assets from RLC Engineering Services Limited during the year. Included in creditors due in less than one year is an amount of £200,237 (2010 £22,269) due to RLC Engineering Services Limited.

As disclosed in note 18 the company acquired the trade and assets of Langford Lodge Engineering Limited, a fellow subsidiary. Included in creditors greater than one year is an amount of £10,404,509 due to Langford Lodge Engineering Limited.

**27. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The company's parent company and ultimate parent company is RLC Engineering Group Limited. RLC Engineering Group Limited is registered in the Isle of Man. RLC Engineering Group Limited is ultimately controlled by the Trustees of the Holt and Burrell Will Trusts.