

Gardner Aerospace - Derby Limited

**Annual report and financial
statements**

Registered number 03563546

31 August 2016

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Officers and professional advisors

Directors

NIB Sanders
KI Worth
AG Millington

Secretary

C Favier-Tilston

Registered office

Unit 9, Victory Park
Victory Road
Derby
DE24 8ZF

Registered number

03563546

Bankers

National Westminster Bank
1 Princes Street
London
EC2R 8BP

Solicitors

BHW Solicitors
5 Grove Court
Grove Park
Enderby
Leicestershire
LE19 1SA

Auditors

KPMG LLP
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Strategic report

Business review

Objectives

The Company's long term objective is to increase profitability in order to support continued investment in the Company, reduce borrowings and support future dividends to shareholders.

The Company is a member of the Gardner Aerospace Holdings Limited Group of companies ("the Gardner Group") and as such the objectives and key business strategies of the Company are consistent with those of the Gardner Group as a whole. An annual review of the operational and financial performance of the Gardner Group is contained in the report and accounts of Gardner Aerospace Holdings Limited. The financial performance of the Company for the year is set out on page 7 of these accounts.

In pursuing its objectives the Company intends to maintain sound financial management and avoid excessive risks. The Company seeks to manage its risks associated with customer relationships and order levels, commodity pricing and financial risks relating to interest rates, foreign currency, liquidity and credit control.

Financial risk management

Funding and liquidity management are managed on a centralised basis by Gardner Group Limited ("the Group") the Company's parent undertaking. The objectives are to protect the assets of the Group and the Company and to identify and then manage financial risk. These risks are described further below:

Interest rate risk

The Company finances its operations through a mixture of retained profits and borrowing facilities, including hire purchase and finance leases. For hire purchase and finance leases, the Company manages interest rate risk by fixing interest at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The board consider the risk from significant interest rate fluctuation is minimal.

Currency risk

The Company has transactional currency exposures arising from sales and purchases in currencies other than the Company's functional currency. Where practicable such transaction exposures are hedged under the Company's foreign exchange policy. This is achieved through natural hedging of sales and purchases in such currencies as well as forward contracts.

Liquidity risk

The Group maintains committed facilities that are designed to ensure sufficient funding for the Company's operations and planned expansions.

Credit risk

The Company is exposed to credit related losses in the event of non-performance by counterparties to financial instruments. Credit risk is mitigated by the Company's policy of selecting counterparties with a strong long term credit rating and assigning financial limits to individual counterparties.

Outlook

The Company is focused on improving its operations through efficiency, investment and by securing new business. The Company's order book remains strong with demand for commercial jet aircraft supported by our customers order books. The Company's strategy is to continue to develop the business to take advantage of its customer's desire to have fewer and larger suppliers.

Strategic report *(continued)*

Employees

The Group employs a small number of disabled people and will continue to do so wherever possible, through recruitment, by retention of persons who become disabled during service and by appropriate training, career development and promotion. The Group has in place a programme for the recruitment and development of apprentices and considers this a priority for the business.

The Group seeks to ensure that all employees, job applicants and prospective job applicants, are afforded equality of job opportunity in all areas of employment.

The Group's Health & Safety Policy fully recognises the Group's responsibility for the health and safety of employees and members of the community in which they work.

The Group places considerable value on the involvement of its employees and has continued its practice of keeping them informed of matters affecting them as employees, and on various matters affecting the performance of the Group.

Environmental policy

The Group is committed to a responsible approach to environmental matters.

The Management of the Group seeks to minimise any adverse impact on the environment from all aspects of the Group's operations by means of environmentally sound disciplines, which take practical steps to control effectively or eliminate any known pollution risks, without entailing excessive cost. Specifically, capital expenditure is directed towards the replacement of hazardous materials with environmentally friendly alternatives, methods of minimising the environmental costs of disposal and recycling of waste and the reduction of energy consumption.

Approved by the Board of Directors and signed on behalf of the Board



AG Millington
Director

21 November 2016

Directors' report

The directors present their report together with the audited financial statements for the year ended 31 August 2016.

Results and dividends

The principal activity of the Company is the provision of products and manufacturing services to the aerospace industry.

The profit for the year after taxation amounted to £3,755,000 (2015: £3,553,000). The directors do not recommend the payment of a dividend (2015: *£nil*) leaving the amount of £3,755,000 (2015: £3,553,000) to be transferred to reserves.

Directors

The directors of the Company during the financial year and subsequently were as follows:

NIB Sanders
KI Worth
AG Millington

The Company has in place qualifying third party indemnity provisions for the benefit of its directors.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board of Directors and signed on behalf of the Board



AG Millington
Director

21 November 2016

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 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 judgements and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of Gardner Aerospace - Derby Limited

We have audited the financial statements of Gardner Aerospace - Derby Limited for the year ended 31 August 2016 set out on pages 7 to 23. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 set out on page 5, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 August 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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.

Anthony Hambleton (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

St Nicholas House
Park Row

Nottingham NG1 6FQ

Dated: 24 November 2016

Profit and loss account
for year ended 31 August 2016

	<i>Note</i>	2016 £000	2015 £000
Turnover	2	40,434	40,176
Cost of sales		(33,128)	(32,349)
Gross profit		7,306	7,827
Administrative expenses		(2,318)	(2,874)
Operating profit		4,988	4,953
Interest payable and similar charges	7	(168)	(403)
Profit on ordinary activities before taxation		4,820	4,550
Tax on profit on ordinary activities	8	(1,065)	(997)
Profit for the financial year		3,755	3,553

In both the current and prior year, the company made no material acquisitions and had no discontinued operations.

There were no recognised gains or losses in either the current or prior year other than the result shown above. Accordingly, no statement of other comprehensive income is presented.

Balance sheet
at 31 August 2016

	Note	2016 £000	2015 £000
Fixed assets			
Intangible assets	9	843	-
Tangible assets	10	2,094	932
		<u>2,937</u>	<u>932</u>
Current assets			
Stocks	11	4,587	4,120
Debtors (including £608,000 (2015: £1,153,000) due after more than one year)	12	38,614	30,964
Cash at bank and in hand		15	58
		<u>43,216</u>	<u>35,142</u>
Creditors: amounts falling due within one year	13	<u>(19,299)</u>	<u>(13,460)</u>
Net current assets		<u>23,917</u>	<u>21,682</u>
Total assets less current liabilities		<u>26,854</u>	<u>22,614</u>
Creditors: amounts falling due after more than one year	14	<u>(563)</u>	<u>(78)</u>
		<u>(563)</u>	<u>(78)</u>
Net assets		<u>26,291</u>	<u>22,536</u>
Capital and reserves			
Called up share capital	19	-	-
Capital contribution reserve		2,995	2,995
Profit and loss account		23,296	19,541
Shareholders' funds		<u>26,291</u>	<u>22,536</u>

These financial statements were approved by the board of directors 21 November 2016 and were signed on its behalf by:



AG Millington
Director

Company registered number: 03563546

Statement of changes in equity

	Called up share capital £000	Capital contribution reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 September 2014	-	2,995	15,988	18,983
Total comprehensive income for the period				
Profit	-	-	3,553	3,553
Balance at 31 August 2015	-	2,995	19,541	22,536

	Called up share capital £000	Capital contribution reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 September 2015	-	2,995	19,541	22,536
Total comprehensive income for the period				
Profit	-	-	3,755	3,755
Balance at 31 August 2016	-	2,995	23,296	26,291

Notes

(forming part of the financial statements)

1 Accounting policies

Gardner Aerospace - Derby Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

The Company's intermediate parent undertaking, Gardner Aerospace Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Gardner Aerospace Holdings Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from Unit 9, Victory Park, Victory Road, Derby, DE24 8ZF. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Gardner Aerospace Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis.

1.2. Going concern

The Company is a part of the Gardner Group Limited group ('The Group'). The borrowings of the Group are guaranteed by each company within it, and so the ability of any one Group company to continue as a going concern depends on the ability of the Group as a whole to do so.

The Group made a profit of £10,699,000 for the year ended 31 August 2016 (*2015: profit of £8,329,000*) and the balance sheet indicates net assets of £5,378,000 (*2015: net liabilities of £1,556,000*). The directors have prepared financial forecasts for 2016/17 and beyond that indicate an ability to meet the Group's liabilities as and when they fall due. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

Notes (continued)

1 Accounting policies (continued)

1.3. Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4. Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5. Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.6. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.12 below.

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.6. Tangible fixed assets *(continued)*

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

Freehold buildings	50 years
Short leasehold property	Straight line over the period of the lease
Plant, Fixtures and equipment	5 to 10 years
Computer software	2 to 4 years

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

1.7. Intangible assets

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Expenditure on the development of certain major new projects or programmes, where the outcome of these programmes and recoverability of costs is assessed as being reasonably certain, where they are capable of production and where their duration is expected to be substantial, is capitalised and amortised over its useful economic life. This is the shorter of the life of the relevant contract or ten years, with amortisation commencing in the year sales of the product are first made to the immediate customer of the Group. For certain programmes, amortisation is applied to reduce the assets to their residual values over a defined production schedule, based on the unit of production method.

The basis for choosing these useful lives is determined in line with the nature of the expenditure and is generally between 3 and 5 years.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that they may be impaired.

Notes *(continued)*

1 Accounting policies *(continued)*

1.8. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.9. Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.10. Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Notes (continued)

1 Accounting policies (continued)

1.11. Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes and is recognised when all the risks and rewards of the goods have been transferred to the customer. Income from service contracts is recognised over the life of the contracts.

1.12. Expenses

Operating lease

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

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest payable

Interest payable and similar charges include interest payable and finance charges on finance leases recognised in profit or loss using the effective interest method.

Interest payable is recognised in profit or loss as it accrues, using the effective interest method.

1.13. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

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

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

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

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

Notes (continued)

2 Turnover

All turnover relates to the sale of goods and originates from continuing operations and activity in the United Kingdom.

	2016 £000	2015 £000
United Kingdom	16,737	16,403
Europe	22,248	22,614
Other	1,449	1,159
	<u>40,434</u>	<u>40,176</u>

3 Other operating income

	2016 £000	2015 £000
Net gain on disposal of tangible fixed assets	137	9
	<u>137</u>	<u>9</u>

The gains on disposals are credited against administrative expenses.

4 Expenses and auditor's remuneration

Auditor's remuneration:

	2016 £000	2015 £000
Audit of these financial statements	22	22
Amounts receivable by the company's auditor and its associates in respect of: Taxation compliance services	6	7
	<u>28</u>	<u>29</u>

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2016	2015
Production	142	139
Administration	67	76
	<u>209</u>	<u>215</u>

The aggregate payroll costs of these persons were as follows:

	2016 £000	2015 £000
Wages and salaries	6,965	6,787
Social security costs	714	694
Contributions to defined contribution plans (note 18)	106	112
	<u>7,785</u>	<u>7,593</u>

Notes (continued)

6 Directors' remuneration

During the year the directors were remunerated by Gardner Group Limited. Details of their total remuneration received from Gardner Group Limited are included below:

	2016 £000	2015 £000
Directors' remuneration	844	695
Company contributions to money purchase pension plans	34	39
	<u> </u>	<u> </u>

The aggregate of remuneration of the highest paid director was £360,000 (2015: £284,000), and company pension contributions of £nil (2015: £nil) were made to a money purchase scheme on his behalf.

	Number of directors 2016	2015
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	2
	<u> </u>	<u> </u>

7 Interest payable and similar charges

	2016 £000	2015 £000
Interest payable on financial liabilities at amortised cost	167	395
Interest payable to group companies	1	8
	<u> </u>	<u> </u>
Total other interest payable and similar charges	168	403
	<u> </u>	<u> </u>

Interest payable and similar charges includes interest payable and similar on bank loans and overdrafts of £153,000 (2015: £383,000) and on finance leases of £14,000 (2015: £12,000).

8 Taxation

Total tax expense recognised in the profit and loss account

	2016 £000	2015 £000
<i>Current tax</i>		
Current tax on income for the period	732	742
Adjustments in respect of prior periods	11	-
	<u> </u>	<u> </u>
Total current tax	743	742
<i>Deferred tax (note 17)</i>		
Origination and reversal of timing differences	219	255
Adjustments in respect of prior periods	(49)	-
Change in tax rate	152	-
	<u> </u>	<u> </u>
Total deferred tax	322	255
	<u> </u>	<u> </u>
Total tax	1,065	997
	<u> </u>	<u> </u>

Notes (continued)

8 Taxation (continued)

Reconciliation of effective tax rate

	2016 £000	2015 £000
Profit for the year	3,755	3,553
Total tax expense	1,065	997
	<hr/>	<hr/>
Profit excluding taxation	4,820	4,550
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 20.0% (2015: 20.58 %)	964	936
Change in tax rate on deferred tax balances	163	(11)
Non-deductible expenses	-	3
Adjustments to tax charge in respect of prior periods	11	-
Adjustment to tax charge in respect of prior periods – deferred tax	(49)	-
Depreciation of ineligible	-	38
Deferred tax not recognised	(189)	(123)
Transfer pricing adjustment	165	154
	<hr/>	<hr/>
Total tax expense included in profit or loss	1,065	997
	<hr/>	<hr/>

Reductions in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future tax charge accordingly.

9 Intangible assets

	Development costs £000
Cost	
Balance at 1 September 2015	-
Additions	904
	<hr/>
Balance at 31 August 2016	904
	<hr/>
Amortisation	
Balance at 1 September 2015	-
Amortisation for the year	61
	<hr/>
Balance at 31 August 2016	61
	<hr/>
Net book value	
At 31 August 2016	843
	<hr/>
At 31 August 2015	-
	<hr/>

Notes (continued)

9 Intangible assets (continued)

Amortisation charge

The amortisation charge is recognised in the following line items in the profit and loss account:

	2016 £000	2015 £000
Administrative expenses	61	-

10 Tangible fixed assets

	Short leasehold property £000	Plant and machinery £000	Total £000
Cost			
Balance at 1 September 2015	26	7,767	7,793
Additions	-	1,448	1,448
Disposals	-	(341)	(341)
Balance at 31 August 2016	26	8,874	8,900
Depreciation			
Balance at 1 September 2015	3	6,858	6,861
Depreciation charge for the year	1	268	269
Disposals	-	(324)	(324)
Balance at 31 August 2016	4	6,802	6,806
Net book value At 31 August 2016	22	2,072	2,094
At 31 August 2015	23	909	932

Leased plant and machinery

At the year end the net carrying amount of plant and machinery leased under a finance lease was £1,145,000 (2015: £329,000), and the depreciation charged during the year in respect of these assets was £44,000 (2015: £161,000). The leased equipment secures lease obligations (note 15).

Security

The assets are pledged as security for loans held by the Companies parent undertaking.

Land and buildings

The net book value of land and buildings comprises:

	2016 £000	2015 £000
Short leasehold property	22	23

Notes (continued)

11 Stocks

	2016 £000	2015 £000
Raw materials and consumables	593	360
Work in progress	1,364	1,237
Finished goods	2,630	2,523
	<u>4,587</u>	<u>4,120</u>

Changes in finished goods and work in progress recognised as cost of sales in the year amounted to £31,901,000 (2015: £31,618,000). The write-down of stocks to net realisable value amounted to £303,000 (2015: £Nil). The reversal of write-downs amounted to £Nil (2015: £165,000). The write-down and reversal are included in cost of sales. Provisions are prudently assessed based on the age of items and the forward order book.

12 Debtors

	2016 £000	2015 £000
Trade debtors	11,653	7,668
Amounts owed by group undertakings	25,298	21,278
Deferred tax assets (note 17)	1,153	1,475
Prepayments and accrued income	510	543
	<u>38,614</u>	<u>30,964</u>
Due within one year	38,006	29,811
Due after more than one year	608	1,153
	<u>38,614</u>	<u>30,964</u>

Trade debtors are pledged as security for liabilities under invoice discounting facilities (note 15).

13 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Bank loans and overdrafts (note 15)	130	-
Invoice discounting facilities (note 15)	7,622	4,552
Obligations under finance leases (note 15)	353	37
Trade creditors	2,698	2,432
Amounts owed to group undertakings	5,928	5,432
Taxation and social security	208	191
Accruals and deferred income	2,360	816
	<u>19,299</u>	<u>13,460</u>

The amounts owed to group undertakings are not interest bearing and are not secured.

Notes (continued)

14 Creditors: amounts falling after more than one year

	2016 £000	2015 £000
Obligations under finance leases (note 15)	563	78
	<u>563</u>	<u>78</u>

15 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2016 £000	2015 £000
Creditors falling due after more than one year		
Finance lease liabilities	563	78
Creditors falling due within less than one year		
Bank overdraft	130	-
Invoice discounting facility	7,622	4,552
Finance lease liabilities	353	37
	<u>8,668</u>	<u>4,667</u>

The bank overdraft and invoice discounting facilities are secured by fixed and floating charges over the property and assets of the UK registered Companies within the Group. The finance leases are secured by the related fixed assets. The invoice discounting facility carries a nominal interest rate of 2% above LIBOR.

16 Other interest-bearing loans and borrowings

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2016 £000	Minimum lease payments 2015 £000
Less than one year	353	37
Between one and five years	563	78
	<u>916</u>	<u>115</u>

The nominal interest rate on the finance leases ranges from 2% to 3% above LIBOR.

Notes (continued)

17 Deferred tax assets

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
	£000	£000	£000	£000	£000	£000
Accelerated capital allowances	589	729	-	-	589	729
Tax losses carried forward	561	746	-	-	561	746
Other timing differences	3	-	-	-	3	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net tax assets	1,153	1,475	-	-	1,153	1,475
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
					2016	2015
					£000	£000
At 1 September					1,475	1,730
Charged during the year					(322)	(255)
					<hr/>	<hr/>
At 31 August					1,153	1,475
					<hr/>	<hr/>

Deferred tax comprises:

	Recognised	
	2016	2015
	£000	£000
Accelerated capital allowances	589	729
Tax losses carried forward	561	746
Other timing differences	3	-
	<hr/>	<hr/>
	1,153	1,475
	<hr/>	<hr/>

The Company did not recognise the deferred tax asset in respect of the following items on the basis that future economic benefit is uncertain.

	Unrecognised	
	2016	2015
	£000	£000
Accelerated capital allowances	322	507
Tax losses carried forward	-	-
Other timing differences	-	6
	<hr/>	<hr/>
	322	513
	<hr/>	<hr/>

Notes (continued)

18 Employee benefits

The Company has made payments totalling £106,000 (2015: £112,000) to a defined contribution pension scheme, the net assets of which are held in an independently administered fund. The pension cost charge represents the total contributions payable to the fund. At 31 August 2016 there were £16,000 (2015: £17,000) of unpaid pension contributions.

19 Capital and reserves

Share capital

	2016 £	2015 £
<i>Allotted, called up and fully paid</i>		
2 ordinary shares of £1 each	2	2
	<hr/> 2	<hr/> 2
	<hr/> <hr/>	<hr/> <hr/>
Shares classified in shareholders' funds	2	2
	<hr/> 2	<hr/> 2
	<hr/> <hr/>	<hr/> <hr/>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

20 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2016 £000	2015 £000
Less than one year	19	36
Between one and five years	37	15
	<hr/> 56	<hr/> 51
	<hr/> <hr/>	<hr/> <hr/>

During the year, £34,000 was recognised as an expense in the profit and loss account in respect of operating leases (2015: £36,000).

21 Commitments

Capital commitments

The Company had no contractual commitments to purchase tangible fixed assets at the year-end (2015: £ Nil).

22 Contingencies

At 31 August 2016 there was a guarantee and set off agreement between Group undertakings and the National Westminster Bank. The total indebtedness of the Group at 31 August 2016 amounted to £397,000 (2015: £nil).

Notes (continued)

23 Related parties

Identity of related parties with which the Company has transacted

As the Company was a wholly owned subsidiary of Gardner Group Limited, who in turn are a wholly owned subsidiary of Gardner Group Aerospace Holdings Limited at 31 August 2016, the Company has taken advantage of the exemption contained in FRS102.33.1A and has therefore not disclosed transactions or balances with wholly owned entities which form part of the Group headed by Gardner Aerospace Holdings Limited.

24 Ultimate parent company and parent company of larger group

The Company's controlling party and ultimate parent company is BECAP Gardner 2 Limited, a company established by BECAP Fund LP.

The largest group in which the results of the Company are consolidated is that headed by Gardner Aerospace Holdings Limited. The smallest group in which they are consolidated is that headed by Gardner Group Limited. The consolidated financial statements of these groups are available to the public and may be obtained from Unit 9, Victory Park, Victory Road, Derby, DE24 8ZF.

25 Accounting estimates and judgements

Key sources of estimation uncertainty

The preparation of the financial statements requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

Stock provision

Management considers the recoverability of stock at the year end based on the ageing of items and the forward order book and make the necessary provision on a prudent basis.

26 Explanation of transition to FRS 102 from old UK GAAP

As explained in note 1, in the transactions from old UK GAAP, the Company has made no measurement and recognition adjustments at the transaction date and therefore no recalculation of comparative balances has been provided.