

AERO SEKUR AIRBORNE LIMITED

(Company number: 10832077)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017



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AERO SEKUR AIRBORNE LIMITED

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AERO SEKUR AIRBORNE LIMITED

Company information

Directors

Mr R M Butler - appointed 22 June 2017
Mr S A R Rossignoli - appointed 1 December 2017
Mr D L Clark - appointed 1 December 2017, resigned 15 February 2018

Company Secretary

Mr M A Nicholson

Registered Office

15 Marshall Avenue
Worthing
West Sussex
BN14 0ES

Independent Auditor

Grant Thornton UK LLP
Gatwick Office
2nd Floor St Johns House
Haslett Avenue West
Crawley
RH10 1HS

AERO SEKUR AIRBORNE LIMITED

Report of the Directors

The directors present their report together with the audited financial statements for the period from incorporation to 31 December 2017. The company was incorporated on 22 June 2017.

PRINCIPAL ACTIVITY

The group's principal activity continued to be that of the sale and manufacture of advanced flexible structures and systems. The company's principal activity is that of a holding company.

DIRECTORS

The directors who served from incorporation to the date of this report were as follows:

Mr R M Butler	- appointed 22 June 2017
Mr S A R Rossignoli	- appointed 1 December 2017
Mr D L Clark	- appointed 1 December 2017, resigned 15 February 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland). Exemption has been taken under Section 408 Companies Act 2006 not to publish the parent company profit and loss account but the directors have prepared and approved this document. 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 group and the company and of the profit or loss for the group 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 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 in appropriate 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 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AERO SEKUR AIRBORNE LIMITED

Report of the Directors

SHARE ISSUES

During the period, the company issued 3,788,064 ordinary £1 shares at par to acquire 100% of the shares in Aero Sekur SpA.

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 group's auditors are unaware, and
- the director has taken all steps that they ought to have taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditor is aware of that information.

This report was approved by the board and authorised for issue on 9 April 2019



Mr R M Butler
Director

AERO SEKUR AIRBORNE LIMITED

Strategic Report

STRATEGY

The group continued to develop in accordance with the long term strategic plan of winning Tier 1 OEM positions on major international rotorcraft and defence programmes, further consolidating the European market and positioning itself to take advantage of growth in emerging markets as well as established markets such as the USA.

The aftermarket and overhaul markets offer further opportunities for the group with the increasing number of products (both rotorcraft and defence) in service and requiring regular routine servicing, and the group will be developing its capability in this area.

Operationally, working capital will continue to be focused on strongly as well as product improvement and cost reductions.

PERFORMANCE AND DEVELOPMENT DURING THE PERIOD

2017 was a transition year for Aero Sekur following the division of the old company and a complete reorganisation. Therefore the trading results thus reflects only one month of trading. The group undertook a thorough review and mapping of all its processes and has developed a transformational business plan that will be followed during the next three years.

RESULTS, DIVIDENDS AND FINANCIAL POSITION

The loss for the period after taxation amounted to: (£67,209)

The directors do not recommend the payment of a dividend.

Net assets at the year end were: £3,727,801

AERO SEKUR AIRBORNE LIMITED

Strategic Report

KEY PERFORMANCE INDICATORS AND PRINCIPAL BUSINESS RISKS

Sales for the period (after acquisition of the subsidiaries) were £1,743k.

The current economic situation poses some risk to the defence markets but this is mitigated by the strength of the aerospace markets and the groups move into new products. Working capital remains an area of focus and the number of new and ongoing programmes will require careful management of engineering resource.

The financial position of the group, its cashflows, liquidity position and borrowing facilities are described in the financial statements. The group meets its day to day working capital requirements through its bank overdrafts and management of cash balances. The group's 2018 results and 2019 forecasts and projections show that the group is expected to continue to operate within its currently agreed borrowing facilities for the foreseeable future. The directors therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The reported results for each period are affected by exchange rate variations, given that most of the group's results are transacted in Euros. The Euro exchange rates applied have been:

Average	£1 = €1.1283
Year end	£1 = €1.1261

FUTURE DEVELOPMENT AND PERFORMANCE

Following a reorganisation of the group, Aero Sekur is focussed on the design, qualification and manufacture of helicopter emergency flotation systems, external liferaft systems and fuel tanks and systems for aircraft, helicopter and missiles. It will continue the development of its market through achieving Tier 1 OEM positions for major subsystems on international helicopter, aircraft and missile systems. As well as consolidating its position in the European market, recent wins have established the group in new markets and it will continue to develop these and other markets.

The development of new technologies and capabilities will enable the group to retain its position as a technology leader and to offer its customers significant performance, weight and cost advantages.

The group will also be focussing on the development of its aftermarket offering through an expansion of its repair station network in line with the growth of the number of its systems deployed and through new offerings to the operators.

The aircraft escape side business will continue to focus on expanding its customer base and will add additional overhaul capabilities during 2018.

Operationally the focus will be on tight control of working capital and on a programme of business process improvement, product improvement and cost reduction detailed in the three year business plan.

This report was approved by the board and authorised for issue on 9 April 2019



Mr R M Butler
Director

AERO SEKUR AIRBORNE LIMITED

Independent Auditors' Report to the members of Aero Sekur Airborne Limited

Opinion

We have audited the financial statements of Aero Sekur Airborne Limited (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 December 2017, which comprise the consolidated profit and loss account (and consolidated statement of comprehensive income), balance sheets, consolidated statement of cash flows, consolidated and company statement of changes in equity and notes to the financial statements, 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 December 2017 and of the group's loss for the period 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 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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 auditor's 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.

Opinions 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 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 strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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 strategic report or the directors' report.

Matters on which we are required to report by exception

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 for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 2, 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.

Auditor's 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 auditor's 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 auditor's report.

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 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.

Grant Thornton UK LLP

Christian Heeger BSc, FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Gatwick

9 April 2019

AERO SEKUR AIRBORNE LIMITED

Consolidated Profit and Loss Account (and Consolidated Statement of Comprehensive Income) FOR THE PERIOD ENDED 31 DECEMBER 2017

	Note	2017 £
Turnover	5	1,743,387
Cost of sales		<u>(1,083,534)</u>
GROSS PROFIT		659,853
Administrative expenses		
Amortisation of goodwill		(13,375)
Administrative, marketing and engineering expenses		(696,794)
		<u>(710,169)</u>
Other operating income		<u>2,024</u>
OPERATING LOSS		(48,292)
Interest receivable and similar income		324
Interest payable and similar charges	7	(20,522)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>(68,490)</u>
Tax on loss on ordinary activities	8	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(68,490)</u>
Non controlling interests		1,281
LOSS FOR THE FINANCIAL PERIOD		<u><u>(67,209)</u></u>

Consolidated Statement of Comprehensive Income

	2017 £
LOSS FOR THE FINANCIAL PERIOD	(67,209)
Exchange differences	26,804
Total comprehensive income relating to the period - attributable to the group	<u><u>(40,405)</u></u>

The notes to the financial statements on pages 11 to 21 form part of these financial statements.

AERO SEKUR AIRBORNE LIMITED


Balance Sheets

At 31 December 2017

(Company number: 10832077)

	Note	Group 2017 £	Company 2017 £
FIXED ASSETS			
Intangible assets	9	3,293,620	-
Tangible assets	10	871,108	-
Investments	11	4	3,788,064
		<u>4,164,732</u>	<u>3,788,064</u>
CURRENT ASSETS			
Stocks	13	6,878,386	-
Debtors	14	6,263,713	-
Cash at bank and in hand		127,026	-
		<u>13,269,125</u>	-
CREDITORS: Amounts falling due within one year	15	(13,293,500)	-
NET CURRENT LIABILITIES		<u>(24,375)</u>	-
TOTAL ASSETS LESS CURRENT LIABILITIES		4,140,357	3,788,064
PROVISIONS FOR LIABILITIES	16	(412,556)	-
		<u>3,727,801</u>	<u>3,788,064</u>
CAPITAL AND RESERVES			
Called up share capital	17	3,788,064	3,788,064
Profit & loss account	18	(40,405)	-
Total shareholders' funds		3,747,659	3,788,064
Non-controlling interests		(19,858)	-
		<u>3,727,801</u>	<u>3,788,064</u>

The financial statements were approved by the board and authorised for issue on 9 April 2019



Mr. R. M. Buer
Director

The notes to the financial statements on pages 11 to 21 form part of these financial statements.

AERO SEKUR AIRBORNE LIMITED

Consolidated Statement of Cash Flows FOR THE PERIOD ENDED 31 DECEMBER 2017

	Note	2017 £		
Cash flows from operating activities				
Loss For The Financial Period		(67,209)		
Adjustments for:				
Depreciation - owned assets		16,645		
Amortisation of other intangibles		22,552		
Amortisation of goodwill		13,375		
Interest received		(324)		
Interest paid		20,522		
Taxation		-		
Non controlling interests		(1,281)		
Decrease in stock		75,561		
(Increase) in debtors		(1,116,443)		
Increase in creditors		68,552		
increase/(decrease) in provisions		(11,664)		
Cash from operations		(979,714)		
Tax paid		-		
Net cash generated by / (used in) operating activities		(979,714)		
Cash flows from investing activities				
Payments to acquire intangible fixed assets		(7,937)		
Payments to acquire tangible fixed assets		(40,638)		
Proceeds from sale of fixed assets		42,750		
Net overdrafts acquired on business combination (see below and note 12)		(1,148,150)		
Non-controlling interests		(18,577)		
Interest received		324		
Net cash used in investing activities		(1,172,228)		
Cash flows from financing activities				
Interest paid		(20,522)		
Net cash used in financing activities		(20,522)		
Net decrease in cash and cash equivalents		(2,172,464)		
Exchange rate variances on overseas subsidiaries		16,955		
Cash and cash equivalents at 22 June		-		
Cash and cash equivalents at 31 December		(2,155,509)		
Analysis of changes in cash and cash equivalents and net debt				
	At start of period	Cashflow	Acquisitions	At end of period
Cash at bank and in hand	-	(231,697)	358,723	127,026
Bank overdrafts	-	(775,662)	(1,506,873)	(2,282,535)
	-	(1,007,359)	(1,148,150)	(2,155,509)

The notes to the financial statements on pages 11 to 21 form part of these financial statements.

AERO SEKUR AIRBORNE LIMITED

Consolidated and Company Statement of Changes in Equity FOR THE PERIOD ENDED 31 DECEMBER 2017

Consolidated	Called up share capital £	Profit & loss account £	Total £
At 22 June 2017	-	-	-
Loss For The Financial Period	-	(67,209)	(67,209)
Share issue	3,788,064	-	3,788,064
Exchange differences	-	26,804	26,804
At 31 December 2017	<u>3,788,064</u>	<u>(40,405)</u>	<u>3,747,659</u>
Company			
At 22 June 2017	-	-	-
Loss For The Financial Period	-	-	-
Share issue	3,788,064	-	3,788,064
At 31 December 2017	<u>3,788,064</u>	<u>-</u>	<u>3,788,064</u>

The notes to the financial statements on pages 11 to 21 form part of these financial statements.

AERO SEKUR AIRBORNE LIMITED

Notes to the Financial Statements FOR THE PERIOD ENDED 31 DECEMBER 2017

1 COMPANY INFORMATION

The company is a limited liability company, incorporated in England & Wales and having its registered office situated at 15 Marshall Avenue, Worthing, West Sussex, BN14 0ES.

The group's principal place of business is Via Della Valli no 46, 04011 Aprilia, Italy.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Companies Act 2006 and with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 ("FRS 102") - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. The financial statements have been prepared on the historical cost basis.

The group has opted to early adopt the amendments to FRS 102 issued by the Financial Reporting Council ("FRC") following the FRC's triennial review of the standard. These amendments would otherwise be effective for accounting periods commencing on or after 1 January 2019. The key impact on the Group's financial statements for the period ended 31 December 2017 is in respect of the accounting for the acquisition of Aero Sekur SpA on 1 December 2017. Having applied the requirements of the amendments of FRS 102 to the acquisition, the directors have exercised an accounting policy choice to refrain from recognising any intangible assets other than goodwill arising on the business combination. Were the amendments to FRS 102 not to have been early adopted, a customer relationship intangible asset, arising from contractual or other legal rights acquired as part of the business combination, would have been recognised. As these customer relationships are not separable from the acquired business and the combined group, under the amendments to FRS 102 including the aforementioned accounting policy choice taken by the directors, the criteria for recognition of such an intangible assets has not been met and accordingly the assets is subsumed within goodwill. The directors have reviewed the other amendments to FRS 102 and do not consider there to be any other material impact on the financial statements arising.

The financial statements are presented in Sterling (£).

The group financial statements consolidate the financial statements of the company and all of its subsidiary undertakings drawn up to 31 December each year.

As permitted by section 408 of the Companies Act 2006, no profit and loss account has been presented in the financial statements. The profit for the period of the parent company was £ nil.

The individual accounts of the company have also adopted the following disclosure exemptions:

- the requirements to present a statement of cash flows and related notes.

Going concern

After reviewing the group's forecasts and projections, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

3 SIGNIFICANT JUDGEMENTS AND ESTIMATES

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

Development costs (note 9)	Management is amortising these specific costs over 10 years. The lives of the projects are currently in excess of this period but management have chosen 10 years to be prudent in case of changes in circumstances beyond their control.
Stock (note 13)	The group is required to hold stocks of products in respect of contracts completed in previous years, sometimes for periods up to 20 years after the production part of the contract was completed. These products are held at cost where the condition of the product remains usable. Towards the end of the contractual periods, usage to date will be compared against stock held and provisions made accordingly. Any stocks held at the end of the contracts which are unusable, will be written off.

AERO SEKUR AIRBORNE LIMITED

FOR THE PERIOD ENDED 31 DECEMBER 2017

FOR THE PERIOD ENDED 31 DECEMBER 2017

4 PRINCIPAL ACCOUNTING POLICIES

Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and upto the effective date of disposal, using accounting policies consistent with those of the parent company. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

investments in subsidiaries are stated at cost less impairment in the individual financial statements.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair value of the assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree plus any associated direct costs.

Goodwill arising on acquisition of subsidiary undertakings, being the difference between the purchase price paid and the fair value of the assets acquired, is shown as an intangible asset.

Turnover

Turnover represents the total amount receivable by the group for goods supplied and services provided, excluding VAT. In respect of long term contracts, revenue is recognised as earned when, and to the extent that, the group obtains the rights to consideration in exchange for its performance under those contracts. It is measured at the fair value of the right to consideration, which represents amounts receivable from customers excluding VAT. For incomplete contracts, an assessment is made of the extent to which revenue has been earned. This assessment takes into account the nature of the contract, its stage of completion and the relevant contract terms.

Depreciation and amortisation

Tangible and intangible fixed assets are stated at cost (or fair value on acquisition) , less accumulated depreciation. Depreciation is calculated to write down the cost less estimated residual value of all fixed assets other than freehold land over their expected useful lives as follows:

Software/patents	- 20% - 50% per annum
Plant and machinery	- 10% - 20% per annum
Other tangible assets	- 10% - 25% per annum
Goodwill	- 10 years straight line
Development costs / other intangible assets	- 10 years straight line

Research and development costs

Research and development expenditure is charged to the income statement in the period in which it is incurred. Development expenditure is capitalised when the criteria for recognising an asset are met and recovery is probable. Property, plant and equipment used for research and development is capitalised and depreciated in accordance with the Group's policy.

AERO SEKUR LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2015
FOR THE YEAR ENDED 31 DECEMBER 2015

4 PRINCIPAL ACCOUNTING POLICIES (continued)

Impairment of assets

At each reporting date, fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected assets is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount and an impairment loss is recognised immediately in the profit and loss account.

If an impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account.

Stocks

Stocks are consistently valued at the lower of cost and net realisable value, on a weighted average cost basis.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Creditors

Short term trade 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.

Leases

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

Provisions for liabilities

Provisions are recognised when the group has a present obligation as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Taxation

Current tax is recognised for the amount of tax payable in respect of taxable profits for the current or past reporting periods using the tax rates and laws in force at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are not recognised.

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

The assets and liabilities of the overseas subsidiary have been translated under the closing rate method of consolidation. Income and expenses have been translated using the average rate with the resulting exchange difference being recognised through reserves.

Employee benefits - pensions

Contributions to defined contribution schemes are charged to profit and loss account in the year to which they relate.

AERO SEKUR AIRBORNE LIMITED

Notes to the Financial Statements FOR THE PERIOD ENDED 31 DECEMBER 2017

5 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover and loss on ordinary activities before taxation are attributable to the principal activity.

	2017 £
The geographical analysis of turnover is as follows:	
UK	72,989
Europe	1,515,036
Rest of world	155,362
	<u>1,743,387</u>

Turnover is in respect of the sales of goods.

	2017 £
Loss on ordinary activities before taxation is stated after charging/(crediting):	
Depreciation - owned assets	16,645
Amortisation of goodwill	13,375
Amortisation of other intangibles	22,552
Auditors' remuneration - audit fees	26,500
Auditors' remuneration - subsidiary company audit fees	22,909

6 DIRECTORS AND EMPLOYEES

	2017 £
Staff costs, including directors remuneration, were as follows:	
Wages and salaries	367,654
Social security costs	103,038
Other pension costs	40,983
	<u>511,675</u>

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

	2017 Number
Directors	2
Administration/sales	58
Production	73
	<u>133</u>

DIRECTORS' EMOLUMENTS	2017
Aggregate emoluments	<u>£ 8,863</u>

	2017
Highest paid director	
Emoluments	<u>£ 8,863</u>

AERO SEKUR AIRBORNE LIMITED

Notes to the Financial Statements FOR THE PERIOD ENDED 31 DECEMBER 2017

7 INTEREST PAYABLE AND SIMILAR CHARGES

2017
£

On bank loans and overdrafts

20,522
20,522

8 TAX ON LOSS ON ORDINARY ACTIVITIES

2017
£

Analysis of charge for the period

U K Corporation tax on loss for the period at 19%

Foreign tax

Total current tax (see below)

-
-
-

Tax On Loss On Ordinary Activities

-

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 19%.
The differences are explained below:

2017
£

Loss on ordinary activities before taxation

(68,490)

Result multiplied by the standard rate of corporation tax in the UK as above

(13,013)

Unutilised tax losses carried forward

13,013

Current tax charge for period

-

AERO SEKUR AIRBORNE LIMITED

Notes to the Financial Statements FOR THE PERIOD ENDED 31 DECEMBER 2017

9 INTANGIBLE FIXED ASSETS

Group	Development costs £	Software / patents £	Goodwill £	Total £
Cost				
At 22 June 2017	-	-	-	-
Additions	-	7,937	1,605,008	1,612,945
Disposals	-	(8,580)	-	(8,580)
Exchange rate movement	(9,997)	16,558	-	6,561
Acquisition of subsidiary undertakings	1,209,705	508,959	-	1,718,664
At 31 December 2017	1,199,708	524,874	1,605,008	3,329,590
Amortisation				
At 22 June 2017	-	-	-	-
Charge for period	15,577	6,975	13,375	35,927
Exchange rate movement	-	43	-	43
At 31 December 2017	15,577	7,018	13,375	35,970
Net book amounts				
At 31 December 2017	1,184,131	517,856	1,591,633	3,293,620

The group incurred development costs in conjunction with projects undertaken in the period and in previous years by the subsidiaries. The costs are being amortised over the lives of the relevant projects, which commenced during 2015. The average life of the projects is 10 years at present.

AERO SEKUR AIRBORNE LIMITED

Notes to the Financial Statements FOR THE PERIOD ENDED 31 DECEMBER 2017

10 TANGIBLE FIXED ASSETS

Group	Other tangible assets £	Plant & machinery £	Total £
Cost/Valuation			
At 22 June 2017	-	-	-
Additions	1,045	39,593	40,638
Disposals	(7,567)	(26,603)	(34,170)
Exchange rate movement	248	3,117	3,365
Acquisition of subsidiary undertakings	68,297	809,655	877,952
At 31 December 2017	62,023	825,762	887,785
Depreciation			
At 22 June 2017	-	-	-
Charge for period	443	16,202	16,645
Exchange rate movement	1	31	32
At 31 December 2017	444	16,233	16,677
Net book amounts			
At 31 December 2017	61,579	809,529	871,108

AERO SEKUR AIRBORNE LIMITED

Notes to the Financial Statements FOR THE PERIOD ENDED 31 DECEMBER 2017

11 INVESTMENTS

Group	Other £
Cost	
At 22 June 2017	-
Acquisition of subsidiary undertakings	4
At 31 December 2017	4

Company	Subsidiary undertakings £	Other £	Total £
Cost			
At 22 June 2017	-	-	-
Additions	3,788,064	-	3,788,064
At 31 December 2017	3,788,064	-	3,788,064

The directors believe the carrying value of the investments is supported by the underlying net assets

12 SUBSIDIARY UNDERTAKINGS

Details of the investments in which the group holds 20% or more of the nominal value of any class of share capital were as follows:

Name of company	Country of registration	Holding	Proportion of voting rights and shares held	Nature of business
Aero Sekur SpA	Italy	Ordinary	100%	Manufacture
Sekur Service International Srl (owned by Aero Sekur SpA)	Italy	Ordinary	95%	Manufacture

A summary of the assets and liabilities acquired on 1 December 2017 was as follows:

	£	
Intangible fixed assets	1,718,664	
Tangible fixed assets	877,954	
Investments	4	
Stock	6,953,947	- after fair value reduction adjustment of £659,059
Debtors - other	5,147,270	
Cash at bank and in hand	358,723	
Bank overdrafts	(1,506,873)	- net overdrafts acquired on business combination - £(1,148.150)
Creditors - other	(10,942,413)	
Provisions	(424,220)	
Net assets at acquisition	2,183,056	
Goodwill arising on acquisition	1,605,008	
Total consideration - non cash	3,788,064	
Shares issued on acquisition	3,788,064	

AERO SEKUR AIRBORNE LIMITED

Notes to the Financial Statements FOR THE PERIOD ENDED 31 DECEMBER 2017

13 STOCKS

	Group 2017 £	Company 2017 £
Raw materials and consumables	3,455,775	-
Work in progress	3,422,611	-
	<u>6,878,386</u>	<u>-</u>

Stock recognised in cost of sales during the period as an expense was £676,700

An impairment loss of £168,067 was recognised in cost of sales against slow-moving and obsolete stock.

14 DEBTORS

	Group 2017 £	Company 2017 £
Trade debtors	5,577,338	-
Prepayments	86,288	-
Other debtors	600,087	-
	<u>6,263,713</u>	<u>-</u>

15 CREDITORS: Amounts falling due within one year

	Group 2017 £	Company 2017 £
Bank overdrafts	2,282,535	-
Trade creditors	6,359,010	-
Social security and other taxes	1,322,419	-
Accruals	36,802	-
Other creditors	3,292,734	-
	<u>13,293,500</u>	<u>-</u>

AERO SEKUR AIRBORNE LIMITED

Notes to the Financial Statements FOR THE PERIOD ENDED 31 DECEMBER 2017

16 PROVISIONS FOR LIABILITIES

Group	Other £
At 22 June 2017	-
Arising on acquisition of subsidiary undertakings	424,220
Charged to the profit and loss account	(11,664)
At 31 December 2017	<u>412,556</u>

The other provisions relate to long term pension/retirement provisions in the Italian subsidiaries.

17 SHARE CAPITAL

	2017 Number	2017 £
Allotted, called up and fully paid £1 ordinary shares	<u>3,788,064</u>	<u>3,788,064</u>

During the period, the company issued 3,788,064 ordinary £1 shares at par to acquire 100% of the shares in Aero Sekur SpA.

18 RESERVES

Called-up share capital - represents the nominal value of shares that have been issued

Profit and loss account - includes all current and prior period retained profits and losses.

AERO SEKUR AIRBORNE LIMITED

Notes to the Financial Statements FOR THE PERIOD ENDED 31 DECEMBER 2017

19 RELATED PARTY INFORMATION

Control

The controlling party is Tosca Penta 1 Ltd Partnership by virtue of its majority shareholding.

Transactions

Related Party Transactions are as follows:

	2017 £
Strategic Corporate Resources Limited - controlled by R M Butler	
Services billed in period ended 31 December 2017 to Aero Sekur SpA	(29,371)
Balance due by Aero Sekur Airborne Limited group	(29,371)
Arescosmo Limited and subsidiaries - controlled by same shareholders	
Balance due by Aero Sekur Airborne Limited group (in trade creditors)	(459,298)
Balance due by Aero Sekur Airborne Limited group (in other creditors)	(1,818,438)

20 FINANCIAL RISK MANAGEMENT

The group has exposures to two main areas of risk - liquidity risk and customer credit exposure. To a lesser extent, the group is exposed to interest rate risk.

Liquidity risk

The objective of the group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The group expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the group has credit facilities available with various financial institutions.

Customer credit exposure

The group may offer credit terms to its customers which allow payment of the debt after delivery of the goods. The group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by strong on-going customer relationships.

Interest rate risk

The group borrows from its bankers using either overdrafts, money down facilities or term loans whose tenure depends on the nature of the asset and management's view of the future direction of interest rates.

	Group 2017 £	Company 2017 £
Financial assets measured at amortised cost	6,304,451	-
Financial liabilities measured at amortised cost	11,934,279	-