

Registered number: 00866931

WATTS AVIATION SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



WATTS AVIATION SERVICES LIMITED

COMPANY INFORMATION

| | |
|----------------------------|---|
| DIRECTORS | S C Hack J Heinmiller C Lawler |
| COMPANY SECRETARY | S C Hack |
| REGISTERED NUMBER | 00866931 |
| REGISTERED OFFICE | Mead Lane Warehouse Mead Lane Lydney Gloucestershire GL15 5EL |
| INDEPENDENT AUDITOR | Crowe U.K. LLP Carrick House Lypiatt Road Cheltenham GL50 2QJ |
| BANKERS | Lloyds Bank Plc High Street Exeter EX4 3ZB |
| SOLICITORS | Geldards LLP Dumfries House Dumfries Place Cardiff CF10 3ZF |

WATTS AVIATION SERVICES LIMITED

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WATTS AVIATION SERVICES LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

INTRODUCTION

The directors present their strategic report for the year ended 31 December 2018.

BUSINESS REVIEW

The company made a profit before taxation of £1,693,871 (2017 - £1,993,094). This was a satisfactory result and the company continues to focus on marketing and credit management.

PRINCIPAL RISKS AND UNCERTAINTIES


The directors consider the main risks and uncertainties relate to fluctuating currencies and the global economy. These issues are kept under constant review.

The directors are aware that changes in the political landscape over the coming months, with developments with Brexit, could impact the entity. However, they are putting systems in place to try and accommodate for any changes and protect trading where they can.

FINANCIAL KEY PERFORMANCE INDICATORS

The management use a number of key measures to monitor and manage performance within the business. The key performance indicators used are sales, gross profit and operating profit and these are disclosed in the financial statements.

This report was approved by the board on 20th Sept 2019 and signed on its behalf.



S Q Hack
Director

WATTS AVIATION SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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

DIRECTORS' RESPONSIBILITIES STATEMENT

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,438,480 (2017 - £1,620,340).

Total equity dividends of £1,198,214 (2017 - £1,356,285) were payable on the ordinary shares at 31 December 2018.

DIRECTORS

The directors who served during the year were:

S C Hack
J Heinmiller
C Lawler

FUTURE DEVELOPMENTS

No significant change is anticipated in the activities of the company.

WATTS AVIATION SERVICES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

DISCLOSURE OF INFORMATION TO AUDITOR

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

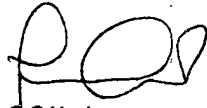
POST BALANCE SHEET EVENTS

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

AUDITOR

The auditor, Crowe U.K. LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 26 Sept 2019 and signed on its behalf.



S.C Hack
Director

WATTS AVIATION SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WATTS AVIATION SERVICES LIMITED

OPINION

We have audited the financial statements of Watts Aviation Services Limited (the 'company') for the year ended 31 December 2018, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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.

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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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

WATTS AVIATION SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WATTS AVIATION SERVICES LIMITED (CONTINUED)

inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the 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.

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, 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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement 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 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 company or to cease operations, or have no realistic alternative but to do so.

WATTS AVIATION SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WATTS AVIATION SERVICES LIMITED (CONTINUED)

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.



Chris Mould (Senior statutory auditor)

for and on behalf of
Crowe U.K. LLP

Statutory Auditor

Carrick House
Lypiatt Road
Cheltenham
GL50 2QJ

27 September 2019

WATTS AVIATION SERVICES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

| | Note | 2018 £ | 2017 £ |
|--|------|-------------------------|-------------------------|
| Turnover | 4 | 12,998,219 | 13,201,945 |
| Cost of sales | | <u>(9,925,622)</u> | <u>(10,071,335)</u> |
| GROSS PROFIT | | 3,072,597 | 3,130,610 |
| Administrative expenses | | (1,436,905) | (1,147,207) |
| Other operating income | | <u>3,389</u> | <u>-</u> |
| OPERATING PROFIT | 6 | 1,639,081 | 1,983,403 |
| Interest receivable and similar income | 9 | <u>54,790</u> | <u>9,691</u> |
| PROFIT BEFORE TAX | | 1,693,871 | 1,993,094 |
| Tax on profit | 10 | <u>(255,391)</u> | <u>(372,754)</u> |
| PROFIT FOR THE FINANCIAL YEAR | | <u>1,438,480</u> | <u>1,620,340</u> |

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

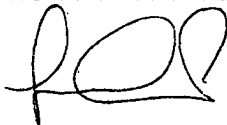
The notes on pages 10 to 23 form part of these financial statements.

WATTS AVIATION SERVICES LIMITED
REGISTERED NUMBER: 00866931

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

| | Note | 2018 £ | 2017 £ |
|--|------|-------------------------|-------------------------|
| FIXED ASSETS | | | |
| Tangible assets | 12 | 152,060 | 109,579 |
| | | <u>152,060</u> | <u>109,579</u> |
| CURRENT ASSETS | | | |
| Stocks | 13 | 3,134,944 | 3,348,631 |
| Debtors: amounts falling due within one year | 14 | 4,952,084 | 3,230,169 |
| Cash at bank and in hand | | 186,253 | 1,096,344 |
| | | <u>8,273,281</u> | <u>7,675,144</u> |
| Creditors: amounts falling due within one year | 15 | (2,545,767) | (2,146,870) |
| NET CURRENT ASSETS | | <u>5,727,514</u> | <u>5,528,274</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>5,879,574</u> | <u>5,637,853</u> |
| PROVISIONS FOR LIABILITIES | | | |
| Deferred tax | 17 | (11,013) | (9,558) |
| | | <u>(11,013)</u> | <u>(9,558)</u> |
| NET ASSETS | | <u><u>5,868,561</u></u> | <u><u>5,628,295</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 18 | 10,000 | 10,000 |
| Profit and loss account | | 5,858,561 | 5,618,295 |
| | | <u>5,868,561</u> | <u>5,628,295</u> |

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



S C Hack
Director

20.09.2019

The notes on pages 10 to 23 form part of these financial statements.

WATTS AVIATION SERVICES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

| | Called up share capital | Profit and loss account | Total equity |
|--|----------------------------|----------------------------|------------------|
| | £ | £ | £ |
| At 1 January 2018 | 10,000 | 5,618,295 | 5,628,295 |
| COMPREHENSIVE INCOME FOR THE YEAR | | | |
| Profit for the year | - | 1,438,480 | 1,438,480 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | - | 1,438,480 | 1,438,480 |
| Dividends: Equity capital | - | (1,198,214) | (1,198,214) |
| TOTAL TRANSACTIONS WITH OWNERS | - | (1,198,214) | (1,198,214) |
| AT 31 DECEMBER 2018 | 10,000 | 5,858,561 | 5,868,561 |

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

| | Called up share capital | Profit and loss account | Total equity |
|--|----------------------------|----------------------------|------------------|
| | £ | £ | £ |
| At 1 January 2017 | 10,000 | 5,354,240 | 5,364,240 |
| COMPREHENSIVE INCOME FOR THE YEAR | | | |
| Profit for the year | - | 1,620,340 | 1,620,340 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | - | 1,620,340 | 1,620,340 |
| Dividends: Equity capital | - | (1,356,285) | (1,356,285) |
| TOTAL TRANSACTIONS WITH OWNERS | - | (1,356,285) | (1,356,285) |
| AT 31 DECEMBER 2017 | 10,000 | 5,618,295 | 5,628,295 |

WATTS AVIATION SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. COMPANY INFORMATION

Watts Aviation Services Limited, company number 00866931, is a private company limited by shares, incorporated and domiciled in England and Wales. The address of its registered office is Mead Lane Warehouse, Mead Lane, Lydney, Gloucestershire, GL15 5EL.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The financial statements are presented in Sterling as that is the primary economic environment in which the company operates.

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

The following principal accounting policies have been applied:

2.2 FINANCIAL REPORTING STANDARD 102 - REDUCED DISCLOSURE EXEMPTIONS

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland':

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

2.3 GOING CONCERN

The group has access to sufficient group bank facilities to meet its day to day working capital requirements. Current forecasts indicate that the group expects to be able to operate within these facilities for the whole of the foreseeable future. Accordingly, the directors have a reasonable expectation that the group will be able to continue in operational existence for the foreseeable future and so continue to adopt the going concern basis in preparing the annual financial statements.

WATTS AVIATION SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. ACCOUNTING POLICIES (CONTINUED)

2.4 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 TANGIBLE FIXED ASSETS

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

| | |
|---------------------------|------------------------------|
| S/Term Leasehold Property | - over the term of the lease |
| Plant & machinery | - 10% - 25% |
| Motor vehicles | - 25% |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.6 STOCKS

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

WATTS AVIATION SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. ACCOUNTING POLICIES (CONTINUED)

2.7 DEBTORS

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions. Cash equivalents are highly liquid investments that mature in no more than three months.

2.9 FINANCIAL INSTRUMENTS

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable.

Basic financial assets and liabilities that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

2.10 CREDITORS

Short term creditors are measured at the transaction price.

2.11 FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into the functional currency using a pre-set system rate for the year.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.12 DIVIDENDS

Equity dividends are recognised when they become legally payable.

WATTS AVIATION SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. ACCOUNTING POLICIES (CONTINUED)

2.13 PENSIONS

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

2.14 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.15 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

WATTS AVIATION SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The items in the financial statements where these estimates and judgments have been made include:

3.1 Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 2.5 for details of the useful economic lives for each class of assets.

3.2 Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing the impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

3.3 Impairment of stock

It is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the stock provision, management considers the nature and age of the stock, as well as applying assumptions around anticipated saleability.

4. TURNOVER

The whole of the turnover is attributable to a single class of business being the distribution of aircraft tyres.

Analysis of turnover by country of destination:

| | 2018 £ | 2017 £ |
|-------------------|-------------------|-------------------|
| United Kingdom | 5,862,373 | 4,427,871 |
| Rest of Europe | 4,224,398 | 4,929,353 |
| Rest of the world | 2,911,448 | 3,844,721 |
| | <u>12,998,219</u> | <u>13,201,945</u> |

WATTS AVIATION SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

5. OTHER OPERATING INCOME

| | 2018 £ | 2017 £ |
|---------------------------------------|--------------|-----------|
| Profit on disposal of tangible assets | 3,389 | - |
| | <u>3,389</u> | <u>-</u> |

6. OPERATING PROFIT

The operating profit is stated after charging:

| | 2018 £ | 2017 £ |
|---|---------------|---------------|
| Depreciation of tangible fixed assets | 22,669 | 19,012 |
| Exchange differences | (81,760) | 131,402 |
| Other operating lease rentals | 149,690 | 522 |
| Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements | 20,525 | 16,500 |
| Defined contribution pension cost | 20,085 | 16,846 |
| | <u>20,085</u> | <u>16,846</u> |

7. EMPLOYEES

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

| | 2018 £ | 2017 £ |
|-------------------------------------|----------------|----------------|
| Wages and salaries | 621,235 | 462,648 |
| Social security costs | 62,842 | 53,201 |
| Cost of defined contribution scheme | 16,161 | 16,846 |
| | <u>700,238</u> | <u>532,695</u> |

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

| | 2018 No. | 2017 No. |
|----------------|-------------|-------------|
| Administration | 14 | 14 |

WATTS AVIATION SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

8. DIRECTORS' REMUNERATION

| | 2018 | 2017 |
|---|----------------|----------------|
| | £ | £ |
| Directors' emoluments | 279,917 | 116,699 |
| Company contributions to defined contribution pension schemes | 5,247 | 4,095 |
| | 285,164 | 120,794 |

The highest paid director received remuneration of £279,917 (2017 - £116,699).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £5,247 (2017 - £4,095).

9. INTEREST RECEIVABLE

| | 2018 | 2017 |
|--|---------------|--------------|
| | £ | £ |
| Interest receivable from group companies | 54,790 | 9,691 |
| | 54,790 | 9,691 |

WATTS AVIATION SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. TAXATION

| | 2018 £ | 2017 £ |
|--|-------------------|-------------------|
| CORPORATION TAX | | |
| Current tax on profits for the year | 316,404 | 371,429 |
| Adjustments in respect of previous periods | (62,468) | (11,514) |
| | 253,936 | 359,915 |
| TOTAL CURRENT TAX | 253,936 | 359,915 |
| DEFERRED TAX | | |
| Origination and reversal of timing differences | 1,455 | 12,347 |
| Changes to tax rates | - | 492 |
| TOTAL DEFERRED TAX | 1,455 | 12,839 |
| TAXATION ON PROFIT ON ORDINARY ACTIVITIES | 255,391 | 372,754 |

WATTS AVIATION SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2017 - *lower than*) the standard rate of corporation tax in the UK of 19.0% (2017 - 19.25%). The differences are explained below:

| | 2018 £ | 2017 £ |
|---|------------------|------------------|
| Profit on ordinary activities before tax | <u>1,693,871</u> | <u>1,993,094</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2017 - 19.25%) | 321,835 | 383,671 |
| EFFECTS OF: | | |
| Adjustments to tax charge in respect of prior periods | (62,468) | (11,514) |
| Other differences leading to an increase (decrease) in the tax charge | (84) | 597 |
| Group relief | (3,892) | - |
| TOTAL TAX CHARGE FOR THE YEAR | <u>255,391</u> | <u>372,754</u> |

WATTS AVIATION SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. TAXATION (CONTINUED)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

There are no factors which may affect future tax charges.

11. DIVIDENDS

| | 2018 £ | 2017 £ |
|----------------------------------|------------------|------------------|
| Dividends paid on equity capital | 1,198,214 | 1,356,285 |
| | <u>1,198,214</u> | <u>1,356,285</u> |

12. TANGIBLE FIXED ASSETS

| | S/Term Leasehold Property £ | Plant & machinery £ | Motor vehicles £ | Total £ |
|-------------------------------------|--------------------------------------|---------------------------|------------------------|----------------|
| COST OR VALUATION | | | | |
| At 1 January 2018 | 104,676 | 84,584 | 93,260 | 282,520 |
| Additions | 15,000 | 5,081 | 49,680 | 69,761 |
| Disposals | - | - | (46,115) | (46,115) |
| At 31 December 2018 | <u>119,676</u> | <u>89,665</u> | <u>96,825</u> | <u>306,166</u> |
| DEPRECIATION | | | | |
| At 1 January 2018 | 1,745 | 84,111 | 87,085 | 172,941 |
| Charge for the year on owned assets | 10,742 | 744 | 11,183 | 22,669 |
| Disposals | - | - | (41,504) | (41,504) |
| At 31 December 2018 | <u>12,487</u> | <u>84,855</u> | <u>56,764</u> | <u>154,106</u> |
| NET BOOK VALUE | | | | |
| At 31 December 2018 | <u>107,189</u> | <u>4,810</u> | <u>40,061</u> | <u>152,060</u> |
| <i>At 31 December 2017</i> | <u>102,931</u> | <u>473</u> | <u>6,175</u> | <u>109,579</u> |

WATTS AVIATION SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

13. STOCKS

| | 2018 £ | 2017 £ |
|------------------|------------------|------------------|
| Goods for resale | 3,134,944 | 3,348,631 |
| | <u>3,134,944</u> | <u>3,348,631</u> |

A provision of £58,325 (2017: £96,382) was recognised in cost of sales against slow-moving and obsolete stock.

14. DEBTORS

| | 2018 £ | 2017 £ |
|------------------------------------|------------------|------------------|
| Trade debtors | 1,510,834 | 1,352,906 |
| Amounts owed by group undertakings | 3,251,668 | 1,578,733 |
| Other debtors | 42,705 | 120,086 |
| Prepayments and accrued income | 146,877 | 178,444 |
| | <u>4,952,084</u> | <u>3,230,169</u> |

Amounts owed by group undertakings includes a loan of £844,876 (made up of \$500,000 and £250,000 bought forward from the previous year, plus an additional \$250,000 loaned in the year to Rotable Repairs Limited). In addition, £1,270,541 relates to repatriation payments made to the ultimate parent undertaking on behalf of Rotable Repairs Limited. The amount is repayable on demand.

15. CREDITORS: Amounts falling due within one year

| | 2018 £ | 2017 £ |
|------------------------------------|------------------|------------------|
| Payments received on account | 181,333 | 88,549 |
| Trade creditors | 1,793,345 | 1,666,201 |
| Amounts owed to group undertakings | 287,649 | 66,665 |
| Corporation tax | 121,557 | 151,528 |
| Accruals and deferred income | 161,883 | 173,927 |
| | <u>2,545,767</u> | <u>2,146,870</u> |

Trade and other creditors are non-interest bearing and are normally settled on 30 day terms.

Amounts owed to group undertakings include £216,054 payable to the ultimate parent undertaking and is unsecured, interest free, and has no fixed date of repayment. It is repayable on demand.

WATTS AVIATION SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. FINANCIAL INSTRUMENTS

| | 2018 £ | 2017 £ |
|---|------------------|------------------|
| FINANCIAL ASSETS | | |
| Financial assets measured at fair value through profit or loss | 186,253 | 1,096,344 |
| Financial assets that are debt instruments measured at amortised cost | 4,805,207 | 3,153,262 |
| | <u>4,991,460</u> | <u>4,249,606</u> |
| FINANCIAL LIABILITIES | | |
| Financial liabilities measured at amortised cost | (2,242,877) | (1,906,793) |

Financial assets measured at fair value through profit and loss comprise cash held.

Financial assets measured at amortised cost comprise trade and other receivables and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade and other payables and amounts owed by group undertakings.

17. DEFERRED TAXATION

| | 2018 £ | 2017 £ |
|-------------------------------|-----------------|----------------|
| At beginning of year | (9,558) | 3,281 |
| Charged to the profit or loss | (1,455) | (12,839) |
| AT END OF YEAR | <u>(11,013)</u> | <u>(9,558)</u> |

The provision for deferred taxation is made up as follows:

| | 2018 £ | 2017 £ |
|--------------------------------|-----------------|----------------|
| Fixed asset timing differences | (11,334) | (10,207) |
| Other timing differences | 321 | 649 |
| | <u>(11,013)</u> | <u>(9,558)</u> |

WATTS AVIATION SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

18. SHARE CAPITAL

| | 2018 £ | 2017 £ |
|--|---------------|---------------|
| Allotted, called up and fully paid | | |
| 10,000 (2017 - 10,000) Ordinary shares of £1.00 each | <u>10,000</u> | <u>10,000</u> |

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

19. CONTINGENT LIABILITIES

The company is party to a cross guarantee given to the group's bankers and as such there is a contingent liability at the balance sheet date for the bank borrowing of all group undertakings. At 31 December 2018 this amounted to £123,994 (2017 - £nil).

20. CAPITAL COMMITMENTS

At 31 December 2018 the company had capital commitments as follows:

| | 2018 £ | 2017 £ |
|---|-----------|---------------|
| Contracted for but not provided in these financial statements | <u>-</u> | <u>41,909</u> |
| | <u>-</u> | <u>41,909</u> |

21. PENSION COMMITMENTS

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

The pension cost charge represents contributions payable by the company to the fund and amounted to £20,085 (2017 - £16,846). Contributions totalling £nil were outstanding at the year end (2017 - £nil).

WATTS AVIATION SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

22. COMMITMENTS UNDER OPERATING LEASES

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

| | 2018 £ | 2017 £ |
|--|------------------|------------------|
| Not later than 1 year | 149,690 | 149,690 |
| Later than 1 year and not later than 5 years | 591,712 | 596,402 |
| Later than 5 years | 580,000 | 725,000 |
| | <u>1,321,402</u> | <u>1,471,092</u> |

23. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available under FRS 102 section 33.1A from disclosing transactions with entities that are wholly owned within the group.

24. CONTROLLING PARTY

The immediate parent undertaking is Sabrinae Limited, a company incorporated and registered in England and Wales.

The company's ultimate parent undertaking and controlling party is Desser Holding Company LLC, a company incorporated and registered in California, USA.

The parent undertaking of the smallest group for which consolidated financial statements are prepared is Watts Desser Limited. A copy of that company's financial statements is available from Companies House, Cardiff.

The parent undertaking of the largest group for which consolidated financial statements are prepared is Desser Holding Company LLC. A copy of that company's financial statements can be obtained from 6900 W Acco St Montebello, California, 90640-5435, USA.