

Company Registration No. 01934202 (England and Wales)

STG AEROSPACE LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

WEDNESDAY



AAD1XVH5

A11

15/09/2021

#204

COMPANIES HOUSE

STG AEROSPACE LTD

COMPANY INFORMATION

Directors

Dr Sean O'Kell
Mrs Tessa Evans
Mr Iain Rae
Mr Grant Bennett
Mr Paul Strothers MBE
Mr Mark Lipyeat
Mr David Llewellyn

Secretary Mrs Tessa Evans

Company number 01934202

Registered office

Brecon House
William Brown Close
Llantarnam Industrial Park
Cwmbran
Wales
NP44 3AB

Auditor

Grant Thornton UK LLP
3 Callaghan Square
Cardiff
CF10 5BT

STG AEROSPACE LTD

CONTENTS

	Page
Strategic report	1 - 3
Directors' report	4 - 5
Independent auditor's report	6 - 9
Statement of comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13 - 25

STG AEROSPACE LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors of STG Aerospace Ltd (STG, or the company), are pleased to present their strategic report on the affairs of the company, along with their directors' report, the audited financial statements and the auditor's report for the year ended 31 December 2020.

Strategy and business model

STG's objectives are to maximise value for customers. We build on decades of success in safety and lighting within Aviation. The company is proud to be an agile and innovative team who drive value for all stakeholders (including company personnel, customers, shareholders and the global community). The company's strategy is focused on delivering unparalleled customer experience combined with proactive and honest technical advice, ensuring operational excellence and developing proprietary products that provide the platform for securing long term growth.

STG is a pioneer in the development of innovative lighting technologies, "WE ARE INNOVATORS IN LIGHT". STG provides complementary products utilising Photoluminescent (PL) or LED lighting technologies for commercial cabin interiors, military signage and night vision applications.

STG understands the challenges faced by today's leading original equipment manufacturers, airlines and maintenance and repair organisations - allowing them to push the boundaries in technology and product applications. "WE SOLVE CUSTOMERS PROBLEMS".

STG delivers unparalleled customer experience combined with proactive and honest technical advice. "WE ARE A TRUSTED ADVISOR".

The strategy of the company is to:

- Develop next generation lighting products which provide a positive ROI for its customers;
- Continue to lead and grow its market share of emergency exit marking systems applications;
- Develop and strengthen its fast growing cabin lighting systems applications; and
- Continue to innovate, secure IP, and provide an exciting and rewarding work environment to attract and retain talented staff.

Review of the business and future activities

The results for the company are set up on page 10 and show Sales of £7.7m (2019: £13.1m) and net profit after tax of £0.5m (2019: £3.2m). These decreases are mainly due to the impact of Covid-19 on the aerospace industry. New global aircraft deliveries totalled 723 aircraft in 2020, which was 42% behind 2019. Year on year world revenue passenger kilometres (RPK) dropped by over -90% in April 2020 and only recovered to around -80% by the end of the year.

STG AEROSPACE LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Key performance indicators (KPIs)

The Directors manage the company based on its KPIs. These are specifically sales, gross margin, net margin and working capital.

Aerospace (£) revenues have decreased by 41% this year. Gross Margins and net margins reduced by 10% due to lower volumes and continuing investment in new product development throughout the year.

Working capital remains adequate for all forecast activities and based on current forecasts the directors are confident the company will remain profitable with a positive liquidity position for the foreseeable future.

Financial risk management, objectives and policies

The company is exposed to a number of financial risks and has an on-going risk management programme which is reviewed regularly by the board of directors.

The main financial risks identified are:

- Currency risk

The company conducts its business principally in Sterling and US Dollars. The risk of exposure on the margin is managed by natural hedging in each currency matching inflows with outflows where possible as well as forward contracts transacted with commercial banks. The directors continue to monitor and review FX risk and strategy on a quarterly basis.

- Liquidity and cash flow risk

The company constantly reviews and forecasts its cash balances to ensure that it has sufficient cash to meet all of its operational needs. The company has no borrowings and all the cash reserves are instantly accessible. In light of the ongoing COVID-19 outbreak the company has moved to increase available cash reserves.

- Credit risk

The company's principal financial assets are cash and trade debtors. The company's cash balances are held with banking partners who have high credit ratings and are deemed secure. Therefore the principal risk comes from trade debtors.

Every customer is set a credit limit by the directors after consideration of third party references and previous payment history. The finance department reviews the limits regularly in light of the aged debtors and collection data. All limits have been reviewed in light of the COVID-19 impact and have been amended appropriately to safeguard the company.

STG AEROSPACE LTD

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Principal risks and uncertainties

The key business risks affecting the company are set out below:

- COVID-19 Risk

The company operates in the Global Aerospace market which has been significantly impacted by the ongoing COVID-19 pandemic. The market driven by lower flight traffic & passenger numbers is expected to remain subdued for several years with expectation of a short to medium reduction in demand. The company has reviewed scenarios and has acted quickly to align the business with this demand change. The health issues presented by the crisis have been managed internally to create a safe working environment for all staff and ensure businesses continuity. The directors have taken the following actions:

- By implementing COVID-19 specific health and safety measures (including home working) throughout the organisation, the company has ensured that all staff are safe and allowed them to support all the company's customers through this difficult time.
- This opportunity has been used to streamline operational systems.
- Having recognised the impact of the pandemic over the coming years, STG has implemented organisation change to minimise cash outflows in the business. This has been done by ensuring maintenance of support for our customers, staff and ongoing research and development programme.

The changes implemented to date have ensured the company continues to be in a position of strong liquidity and a going concern as detailed in note 1 of these accounts.

- Supply chain

The company sources its suppliers principally from Europe and the US. The company has established long term relationships with core suppliers to mitigate fluctuations in supply. The company operates a strict supply chain vetting system and maintains appropriate insurance on key suppliers.

Due to the ongoing risks of the COVID-19 pandemic, the company continues to hold increased stock levels to mitigate worst case outcomes and ensure production is unaffected.

- IP infringement

The company is very proactive over its global IP and has mature systems in place to monitor, report and act on any potential infringement.

Risks are reviewed by the board regularly and appropriate actions are taken to mitigate them.

On behalf of the board

Tessa Evans

.....
Mrs Tessa Evans
Director
.....

12/7/2021

STG AEROSPACE LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the company continued to be that of design, manufacture and marketing of aviation safety, security and lighting products.

Results and dividends

The results for the year are set out on page 10.

No interim ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Dr Sean O'Kell
Mrs Tessa Evans
Mr Iain Rae
Mr Grant Bennett
Mr Paul Strothers MBE
Mr Mark Lipyeat
Mr David Llewellyn

Research and development

The company will continue its policy of investment in research and development in order to retain a competitive position in the market.

Auditor

In accordance with the company's articles, a resolution proposing that Grant Thornton UK LLP be reappointed as auditor of the company will be put at a General Meeting.

STG AEROSPACE LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Statement of directors' responsibilities

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard available 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and 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 corporate and financial information included on the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Tessa Evans

.....
Mrs Tessa Evans

Director

12/7/2021

Date:

STG AEROSPACE LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STG AEROSPACE LTD

Opinion

We have audited the financial statements of STG Aerospace Ltd (the 'company') for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Balance Sheet, the 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 company's affairs as at 31 December 2020 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 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 are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

STG AEROSPACE LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF STG AEROSPACE LTD

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 our 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 under the Companies Act 2006

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.

Matters on which 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, 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 for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

STG AEROSPACE LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF STG AEROSPACE LTD

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 is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of how the Company is complying with significant legal and regulatory frameworks through inquiries of management;
- The Company is subject to many laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. We identified Financial Reporting Standard 102 and the Companies Act 2006, along with legislation relating to employment, health & safety, data protection and environmental issues, as those most likely to have a material effect if non-compliance were to occur;
- We communicated relevant laws and potential fraud risks to all engagement team members and remained alert to any indicators of fraud or non-compliance with laws and regulations throughout the audit;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. We considered the opportunity and incentives for management to perpetrate fraud, and the potential impact on the financial statements;
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Company's operations, including the nature of its revenue sources, products, and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
 - the Company's control environment;
 - the Company's relevant controls over areas of significant risks; and
 - the Company's business processes in respect of classes of transactions that are significant to the financial statements .
- Audit procedures performed by the engagement team included:
 - identifying the significant risk of fraud within revenue recognition and undertaking substantive testing to obtain sufficient and appropriate audit evidence;
 - testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions; and
 - identifying and testing related party transactions.

STG AEROSPACE LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF STG AEROSPACE LTD

- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included:
 - consideration of the engagement team's understanding of, and practical experience with, audit engagements of a similar nature and complexity;
 - appropriate training, knowledge of the industry in which the Company operates; and
 - understanding of the legal and regulatory requirements specific to the Company.
- We did not identify any material matters relating to non-compliance with laws and regulations or relating to fraud.

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.

Rhian Owen
Senior Statutory Auditor
for and on behalf of **Grant Thornton UK LLP**

Grant Thornton UK LLP
.....

Statutory Auditor, Chartered Accountants
Cardiff

12/7/2021

STG AEROSPACE LTD**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 £	2019 £
Turnover	3	7,685,822	13,056,073
Cost of sales		(5,665,034)	(8,303,214)
Gross profit		<u>2,020,788</u>	<u>4,752,859</u>
Administrative expenses		(1,090,816)	(1,814,802)
Operating profit	4	929,972	2,938,057
Interest receivable and similar income	6	3,928	15,820
Interest payable and similar expenses	7	-	(3,562)
Fair value gains and losses on foreign exchange contracts		(427,487)	431,064
Profit before taxation		<u>506,413</u>	<u>3,381,379</u>
Tax on profit	8	(2,795)	(229,419)
Profit for the financial year		<u>503,618</u>	<u>3,151,960</u>
Total comprehensive income for the year		<u><u>503,618</u></u>	<u><u>3,151,960</u></u>

The statement of total comprehensive income has been prepared on the basis that all operations are continuing operations.


The notes on pages 13 to 25 form part of these financial statements.

STG AEROSPACE LTD**BALANCE SHEET****AS AT 31 DECEMBER 2020**

	Notes	2020		2019	
		£	£	£	£
Fixed assets					
Tangible assets	10	1,197,827		1,221,582	
Investments	11	196,731		196,731	
		<u>1,394,558</u>		<u>1,418,313</u>	
Current assets					
Stocks	13	2,270,475		2,597,324	
Debtors	14	3,558,821		2,944,794	
Cash at bank and in hand		2,501,608		2,854,637	
		<u>8,330,904</u>		<u>8,396,755</u>	
Creditors: amounts falling due within one year	15	(560,551)		(1,156,570)	
Net current assets			7,770,353		7,240,185
Total assets less current liabilities			<u>9,164,911</u>		<u>8,658,498</u>
Provisions for liabilities					
Provisions	16	100,000		100,000	
Deferred tax liability	17	193,160		190,365	
			<u>(293,160)</u>		<u>(290,365)</u>
Net assets			<u>8,871,751</u>		<u>8,368,133</u>
Capital and reserves					
Called up share capital	18		100		100
Profit and loss reserves			8,871,651		8,368,033
Total equity			<u>8,871,751</u>		<u>8,368,133</u>

12/7/2021

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



Mr David Llewellyn
Director

Company Registration No. 01934202

The notes on pages 13 to 25 form part of these financial statements.

STG AEROSPACE LTD**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2019		100	6,216,073	6,216,173
Year ended 31 December 2019:				
Profit and total comprehensive income for the year		-	3,151,960	3,151,960
Dividends	9	-	(1,000,000)	(1,000,000)
Balance at 31 December 2019		100	8,368,033	8,368,133
Year ended 31 December 2020:				
Profit and total comprehensive income for the year		-	503,618	503,618
Balance at 31 December 2020		100	8,871,651	8,871,751

The notes on pages 13 to 25 form part of these financial statements.

STG AEROSPACE LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

STG Aerospace Ltd is a private company limited by shares incorporated in England and Wales. The registered number is 01934202. The registered office is Brecon House, William Brown Close, Llantarnam Industrial Park, Cwmbran, Wales, NP44 3AB.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

STG Aerospace Ltd is a wholly owned subsidiary of Saf-T-Glo Limited and the results of STG Aerospace Ltd are included in the consolidated financial statements of Saf-T-Glo Limited which are available at the registered office.

STG AEROSPACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.2 Going concern

The company meets its day to day working capital requirements using cash reserves held at bank. The company does not have any bank debt owing.

The directors accept that COVID-19 has and will have a significant impact on the revenues and operating profits of the Company for 2021 and 2022. The Company has reviewed all available customer and market data and has prepared updated forecasts for 2021 and 2022. These include downside scenarios of projected cash flow information for the period ending 12 months from the date of their approval of these financial statements.

On the basis of the bank balances retained by the company and the sensitized reforecast cash flow information the directors consider that the company has sufficient cash in place to meet all future trading requirements and to maintain STG as a going concern.

On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

1.3 Turnover

The company's turnover represents the value, excluding Value Added Tax, of goods and services supplied to customers during the year. Turnover is recognised at the date of despatch of the goods sold.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Over the term of the lease
Plant and machinery	15 years straight line basis
Fixtures, fittings & equipment	10 years straight line basis
Computer equipment	4 years straight line basis

STG AEROSPACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.5 Tangible fixed assets (cont.)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

STG AEROSPACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.8 Stocks (cont.)

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

STG AEROSPACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.10 Financial instruments (cont.)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

STG AEROSPACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.10 Financial instruments (cont.)

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of total comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of total comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

STG AEROSPACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.14 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.17 Government grants

Government grants towards staff training costs are recognised as income over the periods necessary to match them with related costs and are deducted in reporting the related expense.

Government grants relating to property, plant and equipment are treated as deferred income and released to profit or loss over the expected useful lives of the assets concerned.

1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

STG AEROSPACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The directors do not consider there to be any material judgements or estimates applicable to STG Aerospace Limited.

3 Turnover

An analysis of the company's turnover is as follows:

	2020 £	2019 £
Turnover		
Design, manufacture and marketing aviation safety, security and lighting products	7,685,822	13,056,073
	<u> </u>	<u> </u>
Other significant revenue		
Interest income	3,928	15,820
	<u> </u>	<u> </u>

Turnover analysed by geographical market

An analysis of turnover by geographical location has not been given as the directors believe this to be commercially sensitive information.

4 Operating profit

	2020 £	2019 £
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(166,144)	158,841
Research and development costs	177,809	354,476
Depreciation of owned tangible fixed assets	175,227	155,494
Loss on disposal of tangible fixed assets	11,796	-
Operating lease charges	131,951	136,147
	<u> </u>	<u> </u>

The audit fee for 2020 is borne by the parent entity.

STG AEROSPACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

5 Employees

Directors and employees remuneration is borne by the parent company.

6 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Interest on bank deposits	3,928	15,820
	<u>3,928</u>	<u>15,820</u>

7 Interest payable and similar expenses

	2020 £	2019 £
Other interest	-	3,562
	<u>-</u>	<u>3,562</u>

8 Taxation

	2020 £	2019 £
Current tax		
UK corporation tax on profits for the current period	-	170,944
	<u>-</u>	<u>170,944</u>
Deferred tax		
Origination and reversal of timing differences	2,795	58,475
	<u>2,795</u>	<u>58,475</u>
Total tax charge	<u>2,795</u>	<u>229,419</u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2020 £	2019 £
Profit before taxation	506,413	3,381,379
	<u>506,413</u>	<u>3,381,379</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	96,218	642,462
Tax effect of expenses that are not deductible in determining taxable profit	81,758	(58,966)
Group relief	69,822	-
Permanent capital allowances in excess of depreciation	(1,890)	(59,536)
Research and development tax credit	(245,908)	(353,016)
Deferred tax adjustments	2,795	58,475
	<u>2,795</u>	<u>229,419</u>
Tax expense for the year	<u>2,795</u>	<u>229,419</u>

STG AEROSPACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

9 Dividends

	2020 £	2019 £
Interim paid	-	1,000,000

10 Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Fixtures, fittings & equipment £	Computer equipment £	Total £
Cost					
At 1 January 2020	208,410	1,301,306	81,348	490,998	2,082,062
Additions	25,675	116,934	859	20,869	164,337
Disposals	(60,560)	(49,291)	(53,125)	(23,151)	(186,127)
Transfers	22,494	(24,681)	52,165	(49,978)	-
At 31 December 2020	196,019	1,344,268	81,247	438,738	2,060,272
Depreciation and impairment					
At 1 January 2020	111,396	435,445	39,327	274,312	860,480
Depreciation charged in the year	15,969	78,774	6,643	73,841	175,227
Eliminated in respect of disposals	(60,560)	(38,546)	(53,125)	(21,031)	(173,262)
Transfers	(3,930)	11,676	53,158	(60,904)	-
At 31 December 2020	62,875	487,349	46,003	266,218	862,445
Carrying amount					
At 31 December 2020	133,144	856,919	35,244	172,520	1,197,827
At 31 December 2019	97,014	865,861	42,021	216,686	1,221,582

11 Fixed asset investments

	Notes	2020 £	2019 £
Investments in subsidiaries	12	196,731	196,731

STG AEROSPACE LTD**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2020****12 Subsidiaries**

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Registered office key	Nature of business	Class of shares held	% Held Direct
STG Aerospace (China) Co Ltd	1	Trading company	Ordinary	100
STG Aerospace Inc	2	Trading company	Ordinary	100
STG Aerospace Germany GmbH	3	Trading company	Ordinary	100

Registered Office addresses:

- Level 1, Building No.1, No. 251 Taohua Road, China (Shanghai) Free Trade Zone
- 1637 NW 167th Avenue, Miami, Florida, 33126
- C/O Reimersbrucke 5, C/O UHY Deutschland AG, Wirtschaftsprüfungsgesellschaft, 20457, Hamburg

13 Stocks

	2020	2019
	£	£
Raw materials and consumables	1,659,482	1,854,853
Work in progress	92,705	48,173
Finished goods and goods for resale	518,288	694,298
	<u>2,270,475</u>	<u>2,597,324</u>

14 Debtors

	2020	2019
	£	£
Amounts falling due within one year:		
Trade debtors	559,212	1,271,688
Corporation tax recoverable	166,401	71,401
Amounts owed by group undertakings	2,449,448	653,399
Derivative financial instruments	3,577	431,064
Other debtors	313,362	357,947
Prepayments and accrued income	66,821	159,295
	<u>3,558,821</u>	<u>2,944,794</u>

STG AEROSPACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

15 Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	125,790	183,650
Amounts owed to group undertakings	242,285	724,752
Other creditors	234	234
Accruals and deferred income	192,242	247,934
	<u>560,551</u>	<u>1,156,570</u>

16 Provisions for liabilities

	2020	2019
	£	£
Warranty provision	<u>100,000</u>	<u>100,000</u>
Movements on provisions:		Warranty provision
		£
At 1 January 2020 and 31 December 2020		<u>100,000</u>

17 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2020	Liabilities 2019
	£	£
Balances:		
ACAs	<u>193,160</u>	<u>190,365</u>
Movements in the year:		2020
		£
Liability at 1 January 2020		190,365
Charge to profit or loss		2,795
Liability at 31 December 2020		<u>193,160</u>

STG AEROSPACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

18 Share capital

	2020	2019	2020	2019
	Number	Number	£	£
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	100	100	100	100
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

19 Reserves

Profit and loss account

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

20 Operating lease commitments

Lessee

Operating lease payments represent rentals payable by the company for certain of its properties. Leases are negotiated for an average term of 10 years and rentals are fixed for an average of 5 years with an option to extend for a further 5 years at the prevailing market rate.

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020	2019
	£	£
Within one year	128,436	131,792
Between two and five years	500,000	503,260
In over five years	184,332	309,332
	<u> </u>	<u> </u>
	<u>812,768</u>	<u>944,384</u>

21 Capital commitments

There were no capital commitments as at 31 December 2020 or 31 December 2019.

22 Related party transactions

Transactions with group companies have not been disclosed in accordance with the exemption available in FRS 102.

23 Ultimate controlling party

The parent undertaking is Saf-T-Glo Limited, registered office Brecon House, William Brown Close, Llantarnam Industrial Park, Cwmbran, NP44 3AB. Copies of the group accounts can be viewed at www.companieshouse.gov.uk.

The directors are of the opinion that Saf-T-Glo Limited has no ultimate controlling party.