

Reaction Engines Manufacturing Solutions Limited
Financial Statements
Year Ended 31 December 2017

DELOITTE LLP
Statutory Auditor
2 New Street Square
London
United Kingdom
EC4A 3BZ



Reaction Engines Manufacturing Solutions Limited

Financial Statements

Year ended 31 December 2017

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Reaction Engines Manufacturing Solutions Limited

Directors' Report

Year ended 31 December 2017

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2017.

Directors

The directors who served the company during the year and up to the date of signing were as follows:

Mr D Lochrin	(Appointed 20 June 2017)
Mr M Wood	(Appointed 20 June 2017)
Mr G Harrison	(Resigned 20 June 2017)
Mr W Joyce	(Resigned 20 June 2017)

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 15 to the financial statements.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

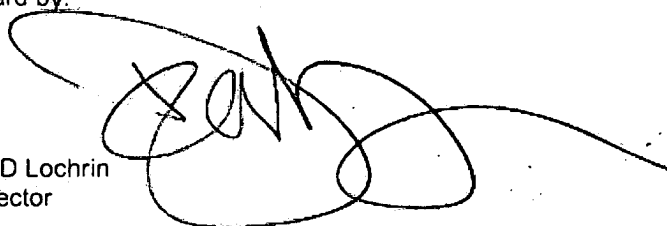
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Small company provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

This report was approved by the board of directors on 20 September 2018 and signed on behalf of the board by:


Mr D Lochrin
Director

Registered office:
Hill House
1 Little New Street
London
EC4A 3TR

Reaction Engines Manufacturing Solutions Limited

Directors' Responsibilities Statement

Year ended 31 December 2017

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

Company law requires the directors to prepare 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 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 the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

Reaction Engines Manufacturing Solutions Limited

Independent Auditor's Report to the Members of Reaction Engines Manufacturing Solutions Limited

Year ended 31 December 2017

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Reaction Engines Manufacturing Solutions Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of accounting policies; and
- the related notes 2 to 17.

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).

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 Financial Reporting Council's (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 required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

Reaction Engines Manufacturing Solutions Limited

Independent Auditor's Report to the Members of Reaction Engines Manufacturing Solutions Limited *(continued)*

Year ended 31 December 2017

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 respect of these matters.

Responsibilities of directors

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.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

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 any material misstatements in the directors' report.

Reaction Engines Manufacturing Solutions Limited

Independent Auditor's Report to the Members of Reaction Engines Manufacturing Solutions Limited *(continued)*

Year ended 31 December 2017

Matters on which we are required to report by exception

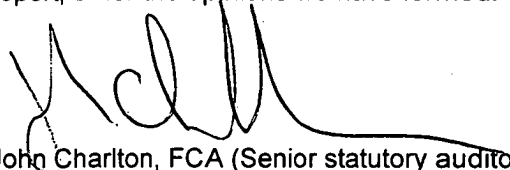
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

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.



John Charlton, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP
2 New Street Square
London
United Kingdom
EC4A 3BZ

20 / 09 / 2018

Reaction Engines Manufacturing Solutions Limited

Statement of Income and Retained Earnings

Year ended 31 December 2017

	Note	2017 £	2016 £
Turnover		405,244	225,926
Cost of sales		(160,497)	(77,135)
Gross profit		244,747	148,791
Administrative expenses		(369,579)	(387,243)
Operating loss		(124,832)	(238,452)
Other interest receivable and similar income		9	16
Loss before taxation	7	(124,823)	(238,436)
Tax on loss	8	—	—
Loss for the financial year and total comprehensive income		(124,823)	(238,436)
Retained losses at the start of the year		(505,179)	(266,743)
Retained losses at the end of the year		(630,002)	(505,179)

All the activities of the company are from continuing operations.

The notes on pages 8 to 13 form part of these financial statements.

Reaction Engines Manufacturing Solutions Limited

Statement of Financial Position

31 December 2017

	Note	2017 £	2016 £
Current assets			
Stocks		34,855	14,389
Debtors	10	176,419	65,376
Cash at bank and in hand		24,309	48,227
		<u>235,583</u>	<u>127,992</u>
Creditors: amounts falling due within one year	11	865,485	633,071
Net current liabilities		<u>629,902</u>	<u>505,079</u>
Total assets less current liabilities		(629,902)	(505,079)
Net liabilities		<u>(629,902)</u>	<u>(505,079)</u>
Capital and reserves			
Called up share capital	13	100	100
Profit and loss account	14	(630,002)	(505,179)
Shareholders deficit		<u>(629,902)</u>	<u>(505,079)</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

These financial statements were approved by the board of directors and authorised for issue on 20 September 2018, and are signed on behalf of the board by:



Mr D Lochrin
Director

Company registration number: 01004127

The notes on pages 8 to 13 form part of these financial statements.

Reaction Engines Manufacturing Solutions Limited

Notes to the Financial Statements

Year ended 31 December 2017

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Hill House, 1 Little New Street, London, EC4A 3TR.

2. Statement of compliance

These financial statements have been prepared in compliance with Section 1A of FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Going concern

The company has net current liabilities at the balance sheet date. As such, the parent company, Reaction Engines Limited, has agreed to provide financial support as required to meet its financial obligations as and when they fall due for a period of at least twelve months from the date of approval of these financial statements.

Having given due consideration to the anticipated future performance of the company, taking into account reasonably possible changes in trading performance in light of uncertainty related to current economic conditions, the directors have been able to form a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason they adopt the going concern basis in preparing the financial statements.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

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

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Reaction Engines Manufacturing Solutions Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Plant and machinery	- 15% straight line
Fixtures and fittings	- 15% straight line
Motor vehicles	- 20% straight line

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

Reaction Engines Manufacturing Solutions Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2017

3. Accounting policies (continued)

Financial instruments (continued)

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. Critical accounting judgements and key sources of estimation uncertainty

There are no critical accounting judgements or key sources of estimation uncertainty.

5. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2017 No.	2016 No.
Staff	5	5

The aggregate payroll costs incurred during the year, relating to the above, were:

	2017 £	2016 £
Wages and salaries	206,942	196,144
Social security costs	22,898	21,600
Pension costs	6,858	5,122
	<u>236,698</u>	<u>222,866</u>

6. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2017 £	2016 £
Wages and salaries	68,482	69,224
Social security costs	9,450	9,553
Pension costs	3,424	3,264
	<u>81,356</u>	<u>82,041</u>

Reaction Engines Manufacturing Solutions Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

7. Loss before taxation

Loss before taxation is stated after charging:

	2017 £	2016 £
Fees payable for the audit of the financial statements	<u>2,000</u>	<u>2,000</u>

The audit fee of the Company was borne and not recharged by Reaction Engines Limited in the current year and preceding year.

8. Tax on loss

Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the year is higher than (2016: higher than) the standard rate of corporation tax in the UK of 19.25% (2016: 20%).

	2017 £	2016 £
Loss on ordinary activities before taxation	<u>(124,823)</u>	<u>(238,436)</u>
Loss on ordinary activities by rate of tax	<u>(24,024)</u>	<u>(47,687)</u>
Unused tax losses	<u>24,024</u>	<u>47,687</u>
Tax on loss	<u>-</u>	<u>-</u>

9. Tangible assets

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 January 2017 and 31 December 2017	<u>141,367</u>	<u>5,754</u>	<u>10,700</u>	<u>157,821</u>
Depreciation				
At 1 January 2017 and 31 December 2017	<u>141,367</u>	<u>5,754</u>	<u>10,700</u>	<u>157,821</u>
Carrying amount				
At 31 December 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

10. Debtors

	2017 £	2016 £
Trade debtors	168,368	41,929
Other debtors	<u>8,051</u>	<u>23,447</u>
	<u>176,419</u>	<u>65,376</u>

Reaction Engines Manufacturing Solutions Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

11. Creditors: amounts falling due within one year

	2017	2016
	£	£
Trade creditors	20,539	18,598
Amounts owed to parent company	767,039	547,917
Social security and other taxes	40,923	27,169
Other creditors	36,984	39,387
	<u>865,485</u>	<u>633,071</u>

Amounts owed to parent company are repayable on demand.

12. Employee benefits

Defined contribution plans

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 scheme charge represents contributions payable to the fund and amounted to £6,858 (2016: £5,122). Contributions totalling £215 (2016: £nil) were payable to the fund at the balance sheet date and are included in creditors.

13. Called up share capital

	2017	2016
	£	£
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

14. Reserves

	Profit and loss account £
At 1 January 2017	
Loss for the year	(505,179)
	(124,823)
At 31 December 2017	<u>(630,002)</u>

15. Events after the end of the reporting period

On 1 January 2018, Crossman Engineering Limited changed its name to Reaction Engines Manufacturing Solutions Limited.

16. Related party transactions

The Company has taken advantage of the exemption available under FRS 102 Section 33 not to disclose intra group transactions on the grounds that 100% of the voting rights are controlled within the group and consolidated financial statements including Reaction Engines Manufacturing Solutions Limited are publicly available.

Reaction Engines Manufacturing Solutions Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

17. Controlling party

The ultimate parent undertaking and controlling party of Reaction Engines Manufacturing Solutions Limited is Reaction Engines Limited, the 100% shareholder, which is incorporated in Great Britain and registered in England and Wales. The consolidated financial statements of Reaction Engines Limited are available to the public and can be obtained from Hill House, 1 Little New Street, London, EC4A 3TR.