

COMPANY REGISTRATION NUMBER 01688938

Slingsby Advanced Composites Limited
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2021



Slingsby Advanced Composites Limited

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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Slingsby Advanced Composites Limited

OFFICERS AND PROFESSIONAL ADVISERS

Board of Directors	A.R. Forshaw C.J. Morse
Company Secretary	S.J. Moynihan
Registered office	Airport House The Airport Cambridge CB5 8RY
Auditor	BDO LLP 55 Baker Street London W1U 7EU
Bankers	Barclays Bank plc 9-11 St Andrews Street Cambridge CB2 3AA
Solicitors	Bird & Bird 12 New Fetter Lane London EC4A 1JP

Slingsby Advanced Composites Limited

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2021

The directors of Slingsby Advanced Composites Limited (“the company”) present their Report and Financial Statements containing a Strategic Report, Directors’ Report and the financial statements for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the company in the year were those of design, manufacture and marketing of composite structures for the defence, aerospace/aviation, marine and rail industries.

Profit before corporate management charges for the year was £876,063 (2020: £551,504). Turnover of £8,334,591 shows a 19% decrease (2020: £10,284,202). The year was negatively impacted, in revenue terms, by delayed orders from targeted customers early in the year. However, the Gross Margin was maintained year-on-year at 66% (2020: 65%) due on the one hand to a change in NPI methodology enabling better control of design costs and the introduction of new lean and continuous improvement manufacturing methods, improving the GM on long-running contracts. In addition, staff costs in the year benefited from the restructuring undertaken in Q4 of 2020. Whilst the presence of the Covid pandemic has undoubtedly impacted 2021 as well as 2020 in terms of absenteeism and supply chain efficiencies and associated costs, Covid costs have not been separately identified and classified as ‘Exceptional’ (2020: £39,185). Notwithstanding these costs, the Company was able to record a net profit of £526,063 (2020: £146,961) this has been enhanced by the inclusion of a Corporation Tax credit of £150,170 relating to deferred tax on unutilised tax losses.

Production of marine projects were again delayed by both supply chain issues (dependence on single source supply) and lack of availability of free issue stock from customers. The latter was partially compensated by recharges which will continue into the early part of 2022 but has led to an overall increase in cost to completion in some instances.

The Company has refreshed its 5-year plan, which is reviewed and updated annually, that reflects the continuation and maximisation of opportunities in the defence sector but also an increasing involvement in adjacent sectors with the objective of both widening the customer base and reducing the dependency on current major customers. As evidence of this, in the year the company has secured two new significant customer contracts that will provide long-term revenue opportunities. The company continues to develop other specialist activities through Research and Development aimed particularly at co-developing advanced materials with selected specialist partners and new manufacturing techniques.

The company's key financial and other performance indicators during the year were as follows:

	2021	2020	Change
Turnover	£8,334,591	£10,284,202	(19.0%)
Gross Margin %	66.2%	64.6%	2.5%
Profit/(loss) before corporate management charges	£876,063	£551,504	58.8%
Number of lost time accidents	0	0	0

FUTURE DEVELOPMENTS

Order intake decreased in the year primarily impacted by the delay to two major projects now expected to be realised as orders in 2022 and 2023. In addition, a number of targeted new accounts were not converted as the market overall is still relatively depressed due to the Covid pandemic with several customers rescheduling work into later years also awaiting more certainty of upstream commercial activity. The mix of work in the short-term has changed as anticipated reflecting the intake of more, smaller value, orders across a broader spectrum of customers. Against this the enquiry activity in Q4 of 2021 shows increasing confidence in the market reflected in a greater order intake planned for 2022.

Slingsby Advanced Composites Limited

STRATEGIC REPORT (continued)

YEAR ENDED 31 DECEMBER 2021

FUTURE DEVELOPMENTS (continued)

Future developments relating to the aerospace and defence markets will be supported by the company gaining NADCAP approval (the National Aerospace and Defence Contractors Accreditation Program). This was delayed due to COVID/travel restrictions and availability of auditors, which is now planned Q2 2022. The company is strengthening its position as a provider of innovative, end-to-end, solutions to commercial and military aerospace and naval defence programmes and is now partnering with a Tier 1 Defence Prime supporting product design and development activities on next generation platforms aligned with future requirements identified in the Government's Integrated Review of Security, Defence, Development and Foreign Policies.

PRINCIPAL RISKS AND UNCERTAINTIES

The company is exposed to a variety of financial risks including; price risk, competitor risk, credit risk, liquidity risk and interest rate risk. The company operates a risk management programme that seeks to limit the impact of these identified risks on the financial performance of the company.

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The company has no exposure to equity securities price risks as it holds no listed or other equity investments. The Company benchmarks itself against competitor price levels to ensure competitive market rates are maintained.

Whilst the company is measured on its cash flow performance, all treasury functions, including the negotiation and provision of overdraft facilities and hedging against foreign currency exposure, is undertaken by the parent company.

The directors have considered the impact and have appropriate plans to mitigate credit risk on the business and, given the nature of the company's customer base, do not consider it to be significant.

In any case, foreign exchange rate risk is low as sales and purchases are primarily transacted in Sterling as the base currency. Dollar and Euro transactions are relatively small in frequency and value with any significant foreign currency transactions being conducted through the treasury function of its parent company.

The company recognises the risk associated with 'cyber attacks' and has taken steps to minimise the risk through gaining accreditation through Cyber Essential Plus and implementing other IT-based solutions as directed by its fellow subsidiary undertaking, Marshall of Cambridge Aerospace Limited.

CASH FLOWS AND LIQUIDITY RISKS

The company utilises the cash resources of its ultimate parent company and accordingly the risk of the company being unable to meet its liabilities as they fall due is not considered by the directors to be significant, as discussed in the directors' report. Similarly, the availability of working capital from its ultimate parent company enables the company to alleviate cash flow risks arising from growth in its business.

Signed by order of the board of directors

DocuSigned by:

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C. J. Morse
Director

Approved by the directors on 9 September 2022

Slingsby Advanced Composites Limited

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements of the company for the year ended 31 December 2021.

RESULTS AND DIVIDENDS

Profit before corporate management charges was £876,063 (2020: £551,504). The profit for the year, after taxation, amounted to £526,063 (2020: £146,961). The directors have not recommended a dividend (2020: £nil).

DIRECTORS

The directors who served the company during the year and to the date of this report, were as follows:

A.R. Forshaw (appointed 6 September 2021)
M.G. Banfield (resigned 13 July 2021)
G.J.S. Moynehan (resigned 5 September 2021)
D.S. Wilkinson (resigned 6 September 2021)
C.J. Morse (appointed 1 April 2021)

No directors hold an interest in the share capital of the company or of any other group company during the year.

In accordance with the Articles of Association, C.J. Morse retires by rotation and, being eligible, offers himself for re-election.

Neither of the directors holding office at 31 December 2021 had notified a beneficial interest in any contract to which the company or other group undertakings were a party during the financial year.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The ultimate parent company purchased and maintained a directors' and officers' liability insurance policy throughout the year. Although a director's defence costs may be met, neither the parent company's indemnity nor insurance provides cover in the event that he is proved to have acted fraudulently or dishonestly.

GOING CONCERN

The company participates in the group treasury arrangements of Marshall of Cambridge (Holdings) Limited ("MCH"), the company's immediate and ultimate parent undertaking. Under this arrangement, it has access to and shares banking arrangements and facilities with MCH and fellow group undertakings. The company is also an obligor and co-guarantor of the group banking arrangement.

For the year ended 31 December 2021 the company generated a post-tax profit of £526,063 and at 31 December 2021 had net current assets of £1,103,441 and net assets of £5,273,343.

The directors have considered whether the company is able to meet its liabilities as they fall due and is a going concern. In addition to considering the company's forecast cash flows for the foreseeable future, the directors have also made enquiries of the MCH directors, given its guarantee to and participation in group banking arrangements. MCH directors have prepared a formal group going concern assessment, including the impact of certain reasonably possible adverse scenarios, which concludes the group is forecast to be able to meet its liabilities as they fall due for the relevant going concern period.

The MCH directors' assessment includes c£202m cash receipt, received in May 2022, following MCH selling its interest in Marshall Motor Holdings plc.

On this basis, the directors of the company have concluded that no material uncertainty exists that may cast significant doubt about the ability of MCH group to continue as going concern for at least 12 months from the approval of these financial statements.

Slingsby Advanced Composites Limited

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2021

DISCLOSURE OF INFORMATION TO THE 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, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Signed by order of the board of directors

DocuSigned by:

Carl Morse

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C. J. Morse

Director

Approved by the directors on 9 September 2022

Company Registration Number 01688938

Slingsby Advanced Composites Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 31 DECEMBER 2021

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 the 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 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; 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SLINGSBY ADVANCED COMPOSITES LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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.

We have audited the financial statements of Slingsby Advanced Composites Limited ("the company") for the year ended 31 December 2021, which comprise the statement of comprehensive income, the statement of financial position, 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)¹.

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

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.

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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SLINGSBY ADVANCED
COMPOSITES LIMITED (CONTINUED)**

Other Companies Act 2006 reporting

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.

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 statement of directors' responsibilities, 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SLINGSBY ADVANCED
COMPOSITES LIMITED (CONTINUED)**

Responsibilities of Directors (continued)

Extent to which the audit was 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to Slingsby Advanced Composites Limited. We determined that the most significant laws and regulations which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (FRS 102 and the Companies Act 2006), regulations impacting defence contracting and taxation in the United Kingdom.
- We understood how the company is complying with those legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it is considered there was a susceptibility of fraud. We also considered potential fraud drivers: including financial or other pressures, opportunity, and personal or corporate motivations. We considered the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and key areas of estimation uncertainty or judgement, for example the selection and application of depreciation policies, the capitalisation of certain property costs, the valuation of investment properties and the Directors' assessment of the recoverable amounts of assets.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.


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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SLINGSBY ADVANCED
COMPOSITES LIMITED (CONTINUED)**

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.

DocuSigned by:


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Mark Cardiff (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London UK

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).
12 September 2022

Slingsby Advanced Composites Limited

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
TURNOVER	2	8,334,591	10,284,202
Cost of sales		(2,920,151)	(3,644,016)
GROSS PROFIT		<u>5,414,440</u>	<u>6,640,186</u>
Administrative expenses		(5,081,836)	(6,740,845)
Other operating income	3	43,289	253,604
PROFIT BEFORE TAXATION		<u>375,893</u>	<u>152,945</u>
Analysed as:			
Underlying profit before tax		375,893	813,929
Separately disclosed exceptional items	16	-	(660,984)
Tax on profit		<u>150,170</u>	<u>(5,984)</u>
PROFIT AFTER TAXATION		<u>526,063</u>	<u>146,961</u>

All of the activities of the company are classed as continuing.

The notes on pages 15 to 25 form part of the Report and Financial Statements.

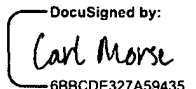
Slingsby Advanced Composites Limited

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Notes	2021 £	2020 £
FIXED ASSETS			
Tangible assets	8	4,169,902	4,440,253
CURRENT ASSETS			
Stocks	9	1,297,802	1,521,044
Debtors	10	3,855,858	3,689,394
Cash at bank		9,387	4,916
		<u>5,163,047</u>	<u>5,215,354</u>
CREDITORS: Amounts falling due within one year	12	(4,050,645)	(4,474,850)
Provisions	13	(8,961)	(433,477)
NET CURRENT ASSETS		<u>1,103,441</u>	<u>307,027</u>
NET ASSETS		<u>5,273,343</u>	<u>4,747,280</u>
CAPITAL AND RESERVES			
Called-up share capital	18	1,000,000	1,000,000
Profit and loss account		4,273,343	3,747,280
SHAREHOLDER'S FUNDS		<u>5,273,343</u>	<u>4,747,280</u>

The Report and Financial Statements were approved by the directors and authorised for issue on 9 September 2022, and are signed on their behalf by:

DocuSigned by:

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 C. J. Morse
 Director

Company Registration Number: 1688938

The notes on pages 15 to 25 form part of the Report and Financial Statements.

Slingsby Advanced Composites Limited

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2021

	Share capital £	Profit and loss account £	Total share- holder's funds £
Balance brought forward 1 January 2020	1,000,000	3,600,319	4,600,319
Profit and total comprehensive income for the financial year	-	146,961	146,961
	1,000,000	3,747,280	4,747,280
Balance brought forward 1 January 2021	1,000,000	3,747,280	4,747,280
Profit and total comprehensive income for the financial year	-	526,063	526,063
	1,000,000	4,273,343	5,273,343
Balance carried forward 31 December 2021	1,000,000	4,273,343	5,273,343

The notes on pages 15 to 25 form part of the Report and Financial Statements.

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

1. Accounting Policies

(a) Statement of compliance

Slingsby Advanced Composites Limited is a private company limited by shares incorporated in England and Wales. The registered office is Airport House, The Airport, Cambridge, CB5 8RY.

The company's financial statements have been prepared in compliance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") as it applies to the financial statements of the company for the year ended 31 December 2021.

(b) Basis of preparation

The financial statements of the company were authorised for issue on 9 September 2022 by the Board of Directors. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the company.

(c) Going concern

The company participates in the group treasury arrangements of Marshall of Cambridge (Holdings) Limited ("MCH"), the company's immediate and ultimate parent undertaking. Under this arrangement, it has access to and shares banking arrangements and facilities with MCH and fellow group undertakings. The company is also an obligor and co-guarantor of the group banking arrangement.

For the year ended 31 December 2021 the company generated a post-tax profit of £526,063 and at 31 December 2021 had net current assets of £1,103,441 and net assets of £5,273,343.

The directors have considered whether the company is able to meet its liabilities as they fall due and is a going concern. In addition to considering the company's forecast cash flows for the foreseeable future, the directors have also made enquiries of the MCH directors, given its guarantee to and participation in group banking arrangements. MCH directors have prepared a formal group going concern assessment, including the impact of certain reasonably possible adverse scenarios, which concludes the group is forecast to be able to meet its liabilities as they fall due for the relevant going concern period.

The MCH directors' assessment includes c£202m cash receipt, received in May 2022, following MCH selling its interest in Marshall Motor Holdings plc.

(d) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemption, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders.

The company has taken advantage of the following disclosure exemptions under FRS 102 reduced disclosure framework:

- (a) the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- (b) the requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d);
- (c) the requirements of Section 11, paragraphs 11.39 to 11.48A and Section 12, paragraphs 12.26 to 12.29A;
- (d) the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23; and
- (e) the requirements of Section 33 Related Party Disclosures paragraph 33.7.

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

1. Accounting Policies *(continued)*

(e) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period.

The following judgement has had the most significant effect on amounts recognised in the financial statements:

The following are the company's key sources of estimation uncertainty:

Turnover

Turnover on long-term contracts is recognised by reference to the stage of completion of contract activity, and therefore is sensitive to the ability to reliably assess this stage of completion. This is normally based on the costs incurred to date as a proportion of total anticipated contract costs, however if this does not accurately reflect the stage of completion then an alternative approach is used instead. In making the assessment of costs to complete the contract, management considers not only specific forecast costs but also the level of risk on the programme. In addition, if the final outcome of a contract cannot be reliably assessed, revenue recognition is limited to the level of costs incurred until such time that the contract has progressed sufficiently to make profit recognition appropriate. Where a contract is forecast to be loss-making, full provision is made for such losses in the first year in which they are foreseen.

Research and development expenditure credits

The company recognises a provision for research and development expenditure credits receivable based on reasonable estimates, informed by the relevant tax legislation. Management estimation is required to determine the amount of tax credit that can be recognised, based upon the level of qualifying research and development activity undertaken by the company.

Deferred tax

Unrelieved tax losses and other deferred tax assets have been recognised only to the extent that the Directors consider it is probable they will be recovered against future taxable profits or the reversal of deferred tax liabilities. Management estimation is required to determine whether the recognition of future taxable profits is probable.

The Directors acknowledge the estimation uncertainty included in future financial forecasts but consider the recognition of deferred tax assets reasonable.

(f) Turnover

Turnover comprises the invoiced value of goods and services supplied by the company excluding trade discounts and value added tax. Turnover relating to long-term contracts represents the fair value of work performed during the year determined by reference to the stage of completion of the contract.

Turnover 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. The specific methods used to recognise the different forms of revenue earned by the company are set out below.

Included in 'Other Operating Income' are Research and Development Expenditure Credits which are recognised against the taxable profits they are in relation to and rental activities which are recognised evenly over the period of the related lease – see note 3.

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

1. Accounting Policies (continued)

i) Sale of goods

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be reliably measured. Profit is recognised at the time of sale.

ii) Long-term contracts

Turnover from long-term contracts is recognised by reference to the stage of completion of contract activity at the year-end date. This is normally determined by the proportion that contract costs incurred to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. If the nature of a particular contract means that costs incurred do not accurately reflect the progress of contract activity, an alternative approach is used such as the achievement of pre-determined contract milestones.

Revenue in respect of variations to contracts, claims and incentive payments are recognised when it is highly likely that it will be agreed by the customer. Profit attributable to long-term contracts is recognised if the final outcome of such contracts can be reliably assessed. On all contracts, full provision is made for any losses in the year in which they are first foreseen.

iii) Rendering of services

Turnover from the provision of services is recognised when the service is complete.

(g) Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is capitalised as an intangible asset where the company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

(h) Research and development expenditure credits

Research and development expenditure credits are recognised based on the level of qualifying research and development expenditure incurred by the company. Expenditure credits are either used to reduce the tax charge incurred by the company or, where the company is loss making, group relieved to other companies within the Marshall of Cambridge (Holdings) Limited group.

(i) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its useful economic life as follows:

Freehold Property	20 years
Plant and Machinery	3-10 years
Motor Vehicles	4 years

Depreciation is provided when the assets are available for use.

The carrying values of tangible fixed assets are reviewed for impairment when events of changes in circumstances indicate the carrying value may not be recoverable.

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

1. Accounting Policies (*continued*)

(j) Investment properties

Investment property is carried at fair value determined annually by external valuers and derived by the current market rents and investment property yields for comparable real estate, adjusted if required for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Income Statement.

(k) Separately Disclosed Exceptional items

The company discloses items as exceptional that are large or unusual in nature and where their separate disclosure enhances a users' understanding of the financial statements.

(l) Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving items. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

(m) Work in progress

Work in progress is valued at the lower of cost and net realisable value. Cost includes, where appropriate, labour and factory overheads. Long-term contract work in progress is stated at cost, as defined above, less amounts transferred to profit and loss and provision for any known or anticipated losses and payments on account received and receivable.

(n) Leasing and hire purchase commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term. Lease incentives are recognised over the lease term on a straight-line basis.

(o) Pension costs

Marshall of Cambridge (Holdings) Limited group operates a number of different pension funds, including both defined contribution and defined benefit schemes, for the employees of the group. The assets of all the schemes are held in independently administered trust funds. The employees of the company are only members of the defined contribution schemes, and contributions are recognised in the profit and loss account in the period in which they become payable.

(p) Deferred taxation

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability / (asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the period end date.

(q) Foreign currencies

Transactions in foreign currencies are initially recorded in the company's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

1. Accounting Policies (*continued*)

(r) Basic Financial Instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other debtors and creditors, loans to and from related parties and investments in non-puttable ordinary shares.

(s) Trade and other debtors and creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

2. Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of valued added tax.

The turnover and profit/(loss) before tax are attributable to the company's principal activity, that of structural composite design and manufacture. All revenue is generated in the United Kingdom. An analysis of turnover by geographical destination is given below:

	2021	2020
	£	£
United Kingdom	6,090,261	7,551,383
North America	2,244,330	2,732,819
	<u>8,334,591</u>	<u>10,284,202</u>

3. Other Operating Income

	2021	2020
	£	£
Rent receivable from third parties	16,187	20,592
Research and development expenditure credits	27,102	69,733
Government support re Furlough payments	-	163,279
	<u>43,289</u>	<u>253,604</u>

4. Operating Profit

Operating profit is stated after (crediting)/charging:

	2021	2020
	£	£
Depreciation of owned tangible fixed assets (see note 8)	315,415	319,558
Operating lease costs:		
- Plant and equipment	468	468
Foreign currency loss / (gain)	924	(150,980)
Corporate management charges	350,000	404,543
	<u>667,807</u>	<u>693,589</u>

Auditor's Remuneration:

Auditor's remuneration is as follows:

	2021	2020
	£	£
Audit of the financial statements of the company	<u>35,000</u>	<u>27,600</u>

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

5. Particulars of Employees

The average monthly number of employees (including executive directors) of the company during the financial year was:

	2021	2020
	No	No
Number of production staff	59	72
Number of administrative staff	32	40
	91	112

The aggregate payroll costs of the above were:

	2021	2020
	£	£
Wages and salaries	3,307,448	3,620,839
Social security costs	321,793	379,508
Pension costs (note 15)	361,502	375,971
	3,990,743	4,376,318

6. Directors' Remuneration

M.G. Banfield, G.J.S. Moynehan and D.S. Wilkinson are directors of fellow group undertakings. The directors provide their services to all of the undertakings where they are a director. The directors do not believe that it is practicable to apportion the total remuneration between their qualifying services as directors of the company and their qualifying services as directors of fellow subsidiary undertakings.

The total remuneration of M.G. Banfield, G.J.S. Moynehan and D.S. Wilkinson is disclosed within the financial statements of Marshall of Cambridge Aerospace Limited. A management charge of £350,000 (2020: £404,543) has been made to Marshall of Cambridge Aerospace Limited, which includes a proportion of the directors' emoluments.

During the year, A.F. Forshaw and C.J. Morse were appointed as directors of the company and their remuneration in respect of qualifying services was as follows:

	2021	2020
	£	£
Remuneration	139,618	-
Pension contributions to group defined contribution schemes	11,717	-
	151,335	-

The number of directors who accrued benefits under company pension schemes was as follows:

	2021	2020
	No	No
Defined contribution schemes	2	-

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

7. Tax on profit

(a) Analysis of (credit) / charge in the year

	2021	2020
	£	£
Current tax		
UK Corporation tax based on the results for the year at 19.00% (2020: 19.00%)	-	-
Other current tax adjustments	5,149	20,878
Adjustments to tax charge in respect of previous years	2,703	(49,843)
Group relief recoverable	1,446	(47,915)
	<u>9,298</u>	<u>(76,880)</u>
Deferred tax		
Origination and reversal of timing differences	72,620	78,653
Prior year adjustment	(175,057)	26,965
Effect of tax rate change on opening asset	(57,031)	(22,754)
	<u>(159,468)</u>	<u>82,864</u>
Tax on profit	<u>(150,170)</u>	<u>5,984</u>

(b) Factors affecting current tax (credit) / charge

The UK standard rate of corporation tax is 19.00% (2020: 19.00%). The actual tax (credit) / charge for the current and previous year varies from the standard rate for reasons set out in the following reconciliation:

	2021	2020
	£	£
Profit before taxation	<u>375,893</u>	<u>152,945</u>
Profit for the year multiplied by the standard rate of corporation tax of 19.00% (2020: 19.00%)	71,420	29,060
Expenses not deductible for tax purposes	7,794	8,300
Research and development enhanced claim	(5,148)	(13,249)
Adjustments to tax charge in respect of previous years	(167,205)	(1,999)
Effect of differences in tax rate changes on opening asset	(57,031)	(22,754)
Rate difference	-	6,626
	<u>(150,170)</u>	<u>5,984</u>

(c) Factors that may affect future tax charges

The standard rate of tax applied to reported profit is 19%. The Finance Act 2021 increased the UK corporation tax rate from 19% to 25% with effect from 1 April 2023.

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

8. Tangible Fixed Assets

	Freehold Property £	Investment Property £	Plant and Machinery £	Total £
COST				
At 1 January 2021	3,989,985	-	5,266,337	9,256,322
Additions	23,549	-	23,096	46,645
Disposals	-	-	(543,155)	(543,155)
Reclassification	(240,000)	240,000	-	-
At 31 DECEMBER 2021	<u>3,773,534</u>	<u>240,000</u>	<u>4,746,278</u>	<u>8,759,812</u>
DEPRECIATION				
At 1 January 2021	481,314	-	4,334,755	4,816,069
Charge for the year	49,237	-	266,178	315,415
Disposals	-	-	(541,574)	(541,574)
At 31 DECEMBER 2021	<u>530,551</u>	<u>-</u>	<u>4,059,359</u>	<u>4,589,910</u>
NET BOOK VALUE				
At 31 DECEMBER 2021	<u>3,242,983</u>	<u>240,000</u>	<u>686,919</u>	<u>4,169,902</u>
At 31 December 2020	<u>3,508,671</u>	<u>-</u>	<u>931,582</u>	<u>4,440,253</u>

Within plant and machinery there is £nil (2020: £17,026) of assets in the course of construction (AICC).

It was identified during the year that a small property on the Kirkymoorside site was being rented to a third party and should have therefore been treated historically as an investment property at fair value but was included in freehold property at cost less depreciation. The value of the property as at 31 December 2021 is estimated at £240,000 and it had an estimated net book value of £222,000. Given the immaterial impact on the financial statements, no prior year adjustment is required under FRS 102 Section 10. In the current year, the property has been presented as an investment property.

In accordance with FRS 102 Section 27 Impairment of Assets paragraph 27 the carrying value of fixed assets at 31 December 2021 have been compared to their recoverable amounts representing their value in use to the company. On the basis of forecast future cashflows, the cashflows exceed the carrying value of the assets and therefore no impairment has been recognised.

9. Stocks

	2021 £	2020 £
Raw materials	1,163,558	1,223,125
Work in progress	134,244	297,919
	<u>1,297,802</u>	<u>1,521,044</u>

The difference between purchase price or production cost of raw materials and their replacement cost is not considered material. Stocks recognised as an expense in the year were £1,452,870 (2020: £2,493,169).

Progress payments receivable in excess of the value of the work done on individual contracts less provisions are shown separately under Creditors: Amounts falling due within one year on the statement of financial position (see note 12).

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

10. Debtors

	2021	2020
	£	£
Trade debtors	1,326,151	764,874
Amounts owed by group undertakings	1,173,786	1,217,347
Prepayments and accrued income	1,075,374	1,596,624
Deferred tax asset (see note 11)	270,016	110,548
Corporation tax receivable	10,531	1
	3,855,858	3,689,394

11. Deferred Tax Asset

The movement in the deferred tax asset during the year was:

	2021	2020
	£	£
Deferred tax asset brought forward	110,548	193,412
Changes in provision	159,468	(82,864)
Deferred tax asset carried forward (see note 10)	270,016	110,548

The deferred tax asset consists of the tax effect of timing differences in respect of:

	2021	2020
	£	£
Excess of depreciation over capital allowances	26,488	75,748
Other timing differences	40,475	34,800
Tax losses carried forward	203,053	-
	270,016	110,548

A deferred tax asset of £270,016 in respect of fixed assets, other timing differences and tax losses carried forward has been recognised on the basis the Group has sufficient certainty over recoverability against future taxable profits of the Group. Included within the deferred tax asset is £203,053 (2020: unprovided) in respect of tax losses carried forward of £831,390. At 31 December 2020 the company did not provide deferred tax of £209,288 on tax losses of £1,102,568 as at that time there was insufficient certainty over the future utilisation of those losses. At 31 December 2021 the company believes that in the light of the results for 2020 and 2021 and future forecast profits that it is more likely than not that it will have sufficient future taxable profits to fully utilize these losses and therefore has provided a deferred tax asset on those losses as set out above.

During the year beginning 1 January 2022, the net reversal of deferred tax assets and liabilities is expected to decrease the corporation tax charge for the year by £80,452.

12. Creditors: Amounts falling due within one year

	2021	2020
	£	£
Payments received on account	846,928	707,488
Trade creditors	140,303	128,553
Amounts owed to group undertakings	2,537,746	2,695,641
Other taxes and social security costs	186,375	539,768
Accruals	339,293	403,400
	4,050,645	4,474,850

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

13. Creditors: Provisions and Warranties

	2021	2020
	£	£
Provisions brought forward	433,477	985,979
Movement in customer warranties	(354,498)	(300,000)
Movement in customer liquidated warranties	-	(123,480)
Movement in loss provisions	(70,018)	(129,022)
Provisions carried forward	8,961	433,477

14. Commitments under Operating Leases

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2021	2020
	Plant & Equipment	Plant & Equipment
	£	£
Within 1 year	468	468
Between 2 to 5 years	936	1,404
	1,404	1,872

15. Pensions

The company participates in the defined contribution pension scheme operated by Marshall of Cambridge (Holdings) Limited (the "Group") for the benefit of its employees. The scheme is funded by the payment of contributions to trustee administered funds which are kept independently from the assets of the Group.

The total pension cost for the year for the company in respect of defined contribution schemes was £361,502 (2020: £375,971). The total unpaid pension contributions outstanding at the year-end were £31,428 (2020: £28,662).

16. Separately Disclosed Exceptional Items

There are no separately disclosed exceptional items in 2021.

17. Related Party Transactions

The company has taken advantage of the exemption in FRS 102 Section 33 Related Party Disclosures paragraph 33.7 not to disclose transactions with fellow subsidiary undertakings of the Marshall of Cambridge (Holdings) Limited group.

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

18. Share Capital

Allotted, called up and fully paid:

	2021	2020
	£	£
10,000,000 Ordinary shares of £0.10 each	1,000,000	1,000,000

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

19. Other financial commitments

The Company has access to the parent company's £75,000,000 banking facility which is secured by cross guarantees between certain members of the parent company's group. The Company is one of these members. At the 31 December 2021 £50,384,000 was outstanding (2020 - £24,726,000).

20. Ultimate Parent Company and Controlling Party

The immediate parent undertaking and controlling party is Slingsby Holdings Limited.

The parent undertaking of the smallest and the largest group of undertakings for which consolidated financial statements are prepared and of which the company is a member is Marshall of Cambridge (Holdings) Limited, registered in England and Wales, and this is therefore considered to be the ultimate parent undertaking and also the ultimate controlling party. Copies of these consolidated financial statements can be obtained from Marshall of Cambridge (Holdings) Limited, Airport House, The Airport, Cambridge, CB5 8RY.