

Financial Statements for the Year Ended 31 March 2019

for

Bruntons Aero Products Limited



Brunton's Aero Products Limited
Annual Report and Financial Statements
For the Year Ended 31st March 2019

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Bruntons Aero Products Limited

Company Information

Directors

C J Malley (Resigned 31/12/2019)
A Hook
S A C Collins (Appointed 31/12/2019)

Company Secretary

A Wakes (Appointed 4/10/2019)
R A Cole (Appointed 29/07/2019)
(Resigned 04/10/2019)

Registered Office

P.O. Box 88
27 Dewsbury Road
Ossett
WF5 9WS

Solicitors

Addleshaw Goddard
3 Sovereign Square
Sovereign Street
Leeds
LS1 4ER

Bankers

HSBC Bank plc

Auditors

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Bruntons Aero Products Limited

Strategic Report for the Year Ended 31st March 2019

The directors present their strategic report for the year ended 31 March 2019.

Principal activities

The company's principal activity during the year was the manufacture and sale of components for the aero industry.

Business model

The company's strategy is to develop new technologies and products to drive future growth and to develop innovative manufacturing processes, alongside our existing capabilities, to generate solutions and opportunities for our customers.

Review of business

Turnover at £3,904,356 increased from the prior year (2018: £3,510,896) and operating profit increased to £445,765 (2018: £290,790).

The financial position at the year end remained strong with net current assets of £231,917 (2018: £176,772) and net assets of £1,737,579 (2018: £1,700,000).

Key performance indicators

Turnover increased by 11.2% compared to the prior year.

Operating profit margin increased to 11.4% (2018 - 8.3%).

Principal risks and uncertainties

The major risk to the company's expansion is the shortage of skilled labour. This is being addressed by taking on apprentices for training, paying competitive rates of pay and deskillling the process wherever possible.

Rates of exchange on foreign currencies affect revenues and the cost of bought in components and materials.

Political uncertainty such as the impact of Brexit and other overseas trade issues such as US trade tariffs and the current political conflict with Russia can naturally affect decisions by our customers to invest and therefore impact on our trading. We continually review and assess the impact as information becomes available and we are engaging with trade associations which are in contact with government.

Approved by the Board on 12/3/20 and signed on its behalf by:



A Hook - Director

P.O. Box 88
27 Dewsbury Road
Ossett
WF5 9WS

Bruntons Aero Products Limited

Directors Report for the Year Ended 31st March 2019

The directors present their report and the financial statements for the year ended 31 March 2019.

Directors' of the company

The directors, who held office during the year, were as follows:

C J Malley (Resigned 31/12/2019)

A Hook

R J Ottaway (Resigned 29/07/2019)

S A C Collins (Appointed 31/12/2019)

Dividends

No interim dividend was paid during the year. The directors approved a final dividend of £0.15p per share.

The total distribution of dividends for the year ended 31 March 2019 will be £256,354 (2018: £481,908)

Political donations and expenditure

During the period the company made no political donations (2018 - nil).

Employment of disabled persons

The company operates and is committed to a policy of equality that provides a working environment that maintains a culture of respect and reflects the diversity of its employees. It is absolutely committed to offering equal opportunities to all ethnicity, language, age, status, sexual orientation, religion or disability.

We believe that all employees should be able to work safely in a healthy workplace without fear of any form of discrimination, bullying or harassment.

Employee involvement

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various financial and economic factors affecting the performance of the company and its larger group.

The company regularly updates its employment policies and all employees have been issued with a staff handbook to keep them up to date with information relating to their employment.

Environmental matters

It is the company's policy to seek continually to eliminate and, where this is not practicable, to minimise negative environmental impacts from the pursuit of its various business interests whilst continuing to produce high quality products to its customers' requirements.

It is the company's policy to comply with all statutory environmental legislation as a minimum and to aim to improve upon the standards set by the local regulatory authorities. To this end, the company is audited by a 3rd party health, safety and environment manager to:

- benchmark performances;
- help identify and prioritise issues for improvement;
- ensure legal compliance.

The results of audits are communicated directly to management and appropriate action is taken

Social and community issues

Bruntons Aero Products Limited supports the local communities through charitable support and education initiatives.

We are committed to developing future talent and fully support apprentice schemes and graduate employment.

Future developments

Our continued focus on customer service and fast turnaround for the aerospace spares sector continues to be attractive to OEMs and their Tier 1 suppliers. We have recently secured further OEM spares work which should help us grow the business over the coming years.

The company continues to perform well and recently awarded new business provides an opportunity to grow these activities.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditors

The auditors KPMG LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 12.13.2019 and signed on its behalf by:



A Hook - Director

P.O. Box 88
27 Dewsbury Road
Ossett
WF5 9WS

Bruntons Aero Products Limited

Statement of Directors Responsibilities

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Bruntons Aero Products Limited

Independent Auditors Report to the Members of Bruntons Aero Products Limited

Opinion

We have audited the financial statements of Bruntons Aero Products Limited (the 'Company') for the year ended 31 March 2019 which comprise the Profit and Loss Account, Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and the Notes to the Financial Statements, including the Accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties consequent upon the UK's departure from the European Union on our audit

Uncertainties related to the effects of the UK's departure from the European Union (EU) are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of goodwill and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

The uncertainty over the UK's future trading relationships with the rest of the world and related economic effects give rise to extreme levels of uncertainty, with the full range of possible effects currently unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to the impact of the UK's departure from the EU.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the net debt of the wider Group of which the Company is a member was £26.8m at 30 September 2018 and the Company's ability to continue as a going concern is dependent on both the Group's ability to meet its forecasts and remain within the overall bank and other debt facilities and be in compliance with covenants and the Group's ability to refinance its bank facility in January 2021 and being able to negotiate an affordable level of future contributions with the trustees of the Group's pension scheme. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report.

Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Bruntons Aero Products Limited

Independent Auditors Report to the Members of Bruntons Aero Products Limited (continued)

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

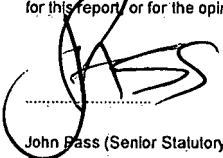
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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 Bass (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

13/3/2020

Bruntons Aero Products Limited

Profit and Loss Account for the Year Ended 31st March 2019

	Note	2019 £	2018 £
Turnover		3,904,356	3,510,896
Cost of sales		<u>(1,208,172)</u>	<u>(1,031,766)</u>
Gross Profit		2,696,184	2,479,130
Administrative expenses		<u>(2,250,419)</u>	<u>(2,188,340)</u>
Operating profit		445,765	290,790
Other interest receivable and similar income	3	<u>10,607</u>	<u>7,459</u>
Profit before tax		456,372	298,249
Tax on profit on ordinary activities	7	<u>(162,439)</u>	<u>84,847</u>
Profit for the year		<u>293,933</u>	<u>383,096</u>

The above results were derived from continuing operations

Bruntons Aero Products Limited

Statement of Comprehensive Income for the Year Ended 31st March 2019

	Note	2019 £	2018 £
Profit for the year		293,933	383,096
Items that will not be reclassified subsequently to profit or loss			
Surplus on tangible assets revaluation	8		
Total comprehensive income for the year		<u>293,933</u>	<u>383,096</u>

Bruntons Aero Products Limited
(Registration Number: 00045894)
Balance Sheet as at 31st March 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	8	1,554,580	1,409,707
Deferred tax assets	7	<u>163,238</u>	<u>163,238</u>
		<u>1,554,580</u>	<u>1,572,945</u>
Current assets			
Stocks	9	1,078,594	989,324
Debtors	10	732,333	562,416
Cash at bank and in hand	11	<u>392,681</u>	<u>575,228</u>
		2,203,608	2,126,968
Creditors: Amounts falling due within one year	15	<u>(1,971,691)</u>	<u>(1,950,196)</u>
Net current assets		<u>231,917</u>	<u>176,772</u>
Total assets less current liabilities		1,786,497	1,749,717
Provisions for liabilities	7	<u>(48,918)</u>	<u>(49,717)</u>
Net assets		<u>1,737,579</u>	<u>1,700,000</u>
Capital and reserves			
Called up share capital	12	1,700,000	1,700,000
Profit and loss account		<u>37,579</u>	<u>-</u>
Shareholders' funds		<u>1,737,579</u>	<u>1,700,000</u>

Approved by the Board on 12/3/20 and signed on its behalf by:


A Hook
Director

Bruntons Aero Products Limited

Statement in Changes in Equity for the Year Ended 31st March 2019

	Share Capital £	Retained Earnings £	Total £
At 1 April 2018	1,700,000		1,700,000
Profit for the year		293,933	293,933
Total comprehensive income	1,700,000	293,933	1,993,933
Dividends		(256,354)	(256,354)
At 31 March 2019	1,700,000	37,579	1,737,579

1 General information

The company is a private company limited by share capital incorporated and domiciled in England and Wales.

The address of its registered office is:

PO Box 88
27 Dewsbury Road
Ossett
WF5 9WS
England and Wales

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The Company's ultimate parent undertaking, Carclo plc includes the Company in its consolidated financial statements.

The consolidated financial statements of Carclo plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Springstone House PO Box 88, 27 Dewsbury Road, Ossett, WF5 9WS.

Summary of disclosure exemptions

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Carclo plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting period beginning on or after 1 April 2018. The following new standards and amendments to standards are mandatory and have been adopted for the first time for the financial year beginning 1 April 2018:

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of IFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements, however the overall impact on the financial statements is not material. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

IFRS 15 Revenue from Contracts with Customers (effective date 1 January 2018).

IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new Standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 April 2018. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 April 2018. The impact of this standard on the Financial Statements is not material.

Annual Improvements to IFRS Standards 2014–2016 Cycle (Amendments to IFRS 1 and IAS 28) (effective date 1 January 2018);

IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective date 1 January 2018);

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective date 1 January 2018); and

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective date 1 January 2018).

These standards have not had a material impact on the Financial Statements unless indicated.

2 Accounting policies (continued)

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting period beginning on or after 1 April 2019. The Company has elected not to adopt early these standards which are described below.

IFRS 16 Leases (effective date 1 January 2019). This new standard will impact the recognition, measurement and disclosure of operating leases. The impact of IFRS 16 Leases is currently being assessed. Under IFRS 16 Leases, lessees will be required to apply a single model to recognise a lease liability and asset for all leases, including those classified as operating leases under current accounting standards, unless the underlying asset has a low value or the lease term is 12 months or less. The adoption of IFRS 16 will have a significant impact on the results as each lease will give rise to a right of use asset which will be depreciated on a straight-line basis, and a lease liability with a related interest charge. The depreciation and interest will replace the operating lease payments currently recognised as an expense. The impact will depend on the transition approach and the contracts in effect at the time of the adoption.

On the date of transition to IFRS 16, 1 April 2019, it is expected that right-of-use leased assets and lease liabilities will be recognised in the Balance Sheet with equal and opposite values expected to be within the range £0.0 million to £0.2 million. In the year to 31 March 2020 it is anticipated that the adoption of IFRS 16 will have the impact on the income statement of increasing depreciation costs by £0.0 million to £0.1 million, increasing finance costs by £0.0 million to £0.1 million and reducing operating lease costs by £0.0 million to £0.1 million.

The above are not expected to have a material impact on the financial statements unless indicated.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

Whilst the Company has generated a profit for the year of £293,933 and has net assets at 31 March 2019 of £1,737,579, the Company is an obligor to the Group bank facility agreement and is ultimately financed by the Group facility.

Group net debt was £26.8m at 30 September 2019, with overseas operations holding £8 million in cash and UK borrowings close to £35 million. Total Group UK bank facilities at 30 September 2019 were £40.0m, including a revolving credit facility of £30.0m, due to expire on 31 January 2021, and an overdraft facility of £10.0m. In mid-January 2020, the lending bank received two initial distributions, totalling £5.0m, from the Administrator of a fellow subsidiary company, Wipac Limited, following its insolvency and the subsequent sale of its trade and assets. At the same time, the Group's overdraft facility reduced in line with the receipts to £5.0m, leaving total UK bank facilities at £35.0m at the date of this report.

Negotiations are currently ongoing with the bank, to renew the bank lending facilities beyond their current expiry at the end of January 2021. Negotiations are also ongoing in respect of the pension trustee in respect of the Group's defined benefit pension. The pension scheme deficit included on the Group's balance sheet at 30 September 2019 was £51.3m. The Group has an agreement in place, effective until January 2021, to make contributions of £2.7m per annum. Negotiation has to be agreed to the level of future contributions to the pension scheme. The future contribution level, which is likely to be higher than currently, has to be affordable for the Group and acceptable to the pension trustee. The negotiations with the bank and pension trustee are inter-dependent and are expected to be concluded before 31 March 2020.

As of the date of this Annual Report, the current directors have approved forecasts for Cardo plc and its subsidiaries ("the Group") based on current trading conditions. These cash flow forecasts have been prepared for a period in excess of two years from the date of the approval of these financial statements. Under the cash flow forecasts, the Group's financing is forecast to remain within the available facilities and covenants for at least the twelve-month forecast period. Whilst the Group's trading and cash flow forecasts have been prepared using current trading assumptions, the operating environment presents a number of challenges which could negatively impact the actual performance achieved. These risks include, but are not limited to:

The debt facilities available to the Group which currently comprise of an overdraft facility of £5.0m and a £30.0m revolving credit facility maturing at the

end of January 2021, a period of less than twelve months from the date of this report. The base case cash flow forecast and hence the going

Bruntons Aero Products Limited

Notes to the Financial Statements for the Year Ended 31st March 2019

2 Accounting policies (continued)

concern assessment have been prepared on the basis that the bank continues to extend a sufficient overdraft facility for the period to February 2021, in addition to the £30m revolving credit facility. Negotiations are currently ongoing with the bank, to renew the bank lending facilities beyond their current expiry at the end of January 2021.

An affordable funding agreement being reached with the Pension Trustee

The Group's defined benefit pension scheme has a sizeable funding deficit. Until 31 January 2021, a total of £2.7m per annum is being paid to the scheme by the Group. Negotiations for a long-term funding agreement are on-going and it is likely that a higher-level of contributions will be required. The base case cash flow forecasts and hence the going concern assessment have been prepared on the basis that an affordable level of contributions can be agreed.

Suppliers continuing to offer normal commercial credit terms

Certain credit insurers have removed cover on the Group. To date this has not had a material impact on the cash flows. The cash forecast assumes that suppliers continue to offer normal commercial credit terms. Any move to acceleration of supplier payments could impact on cash requirements.

Customers paying invoices to terms

Any significant delay in receiving payment could impact on headroom.

Ongoing trading performance

The Group has won a number of new sales programmes which are due to start in the current financial year. Any delay in commencement or in the ramp up of forecast volumes or failure to deliver revenue and margin growth could reduce headroom, as could any material trading underperformance in the remaining businesses or loss of existing customers.

Capital investment projects completing on time and on budget

The Group has won a number of new sales programmes which require capital investment. If this investment is not completed on time and on budget, there could be further cash requirements for the Group.

Financial sensitivity modelling was carried out which assessed the impact of the risks noted above both individually and in aggregate on both headroom and bank covenants.

The Board concluded that in the event of any of these individual risks occurring and having a material impact on the forecasts, the Group would require the support of its lenders by way of additional overdraft facility and/or covenant waiver or deferral.

Based on their assessment, the Directors consider that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and that it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. However, subject to the ongoing support of the Group's lending bank and an affordable funding agreement being reached with the Pension Trustee, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

2 Accounting policies (continued)

Revenue recognition

Revenue arises on the Company's principal activities.

To determine whether to recognise revenue, the Company follows a 5-step process:

- 1 Identifying the contract with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations
- 5 Recognising revenue when/as performance obligation(s) are satisfied.

The Company sometimes enters into transactions involving a range of the Company's products and services, for example for the production of multiple items. The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices, or, in the absence of a stand-alone selling price, on a cost plus margin basis. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as contract liabilities in the statement of financial position. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

In the comparative period, revenue from the sale of goods was recognised in the Income statement when the significant risks and rewards of ownership had been transferred to the buyer.

The impact of transition to IFRS 15 was not material to the Company's financial statements therefore no separate disclosure note has been prepared.

Tax

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold Buildings	2.70%
Plant & Machinery	6.7 -33%
Motor Vehicles	25%

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade debtors

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

The Company measures loss allowances for estimates of expected credit losses ("ECLs") on trade debtors.

Stock

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Bruntóns Aero Products Limited

Notes to the Financial Statements for the Year Ended 31st March 2019

2 Accounting policies (continued)

Trade creditors

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Defined benefit pension obligation

The company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Carclo plc is legally the sponsor of the scheme and recognises the net defined cost for the scheme as a whole less the contributions of other plan participants. Accordingly the company accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. During the period this charge was £Nil (2018: £Nil). Full details of the financial assumptions used to assess the scheme's assets and liabilities can be found in the accounts of Carclo plc. During the year ended 31 March 2011 the company elected to cease future accrual for existing members of the defined benefit scheme and members transferred to the defined contribution scheme.

3 Other interest receivable and similar income

	2019 £	2018 £
Interest income on bank deposits	<u>10,607</u>	<u>7,459</u>

4 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows

	2019 £	2018 £
Wages and salaries	1,183,475	1,234,103
Social security costs	114,415	111,370
Pension costs, defined contribution scheme	<u>53,807</u>	<u>50,770</u>
	<u>1,351,697</u>	<u>1,396,243</u>

The average number of persons employed by the company (including directors) during the year was 51 (2017 - 53).

5 Directors remuneration

The directors' remuneration for the year was as follows:

	2019 £
Remuneration	<u>138,241</u>

Mr C J Malley were also directors of the holding company and fellow subsidiary undertakings and Mr R Ottaway was also a director of fellow subsidiary undertakings. During their tenure as directors of the company their remuneration has been disclosed in Carclo plc financial statements.

Bruntons Aero Products Limited

Notes to the Financial Statements for the Year Ended 31st March 2019

6 Auditors remuneration

	2019 £	2018 £
Audit of the financial statements	<u>5,000</u>	<u>4,200</u>

7 Income Tax

Tax charged/(credited) in the profit and loss account

	2019 £	2018 £
Deferred taxation		
Arising from origination and reversal of temporary differences	(9,959)	(84,847)
Current year exceptional derecognition of deferred tax assets	163,238	-
Prior year adjustments	<u>9,160</u>	<u>-</u>
Total deferred taxation	<u>162,439</u>	<u>(84,847)</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £	2018 £
Profit before tax	<u>456,372</u>	<u>298,249</u>
Corporation tax at standard rate of 19% (2018 - 19%)	86,711	56,668
Increase/(decrease) in deferred tax from adjustment for prior periods	9,160	(75,687)
Derecognition of deferred tax assets	163,238	-
Increase/(decrease) from effect of capital allowances depreciation	-	-
Increase/(decrease) arising from group relief tax reconciliation	(103,422)	(71,346)
Increase/(decrease) from expenses not deductible for tax purposes	2,907	5,518
Rate differences between UK current and deferred tax	3,845	-
Total tax charge/(credit)	<u>162,439</u>	<u>(84,847)</u>

Deferred tax

Deferred tax movement during the year:

	At 1 April 2018 £	Recognised in income £	At 31 March 2019 £
Accelerated tax depreciation	154,078	(154,078)	-
Short term timing differences	9,160	(9,160)	-
Revaluation of property	(49,717)	799	(48,918)
Net tax assets/(liabilities)	<u>113,521</u>	<u>(162,439)</u>	<u>(48,918)</u>

Deferred tax movement during the prior year:

	At 1 April 2017 £	Recognised in income £	At 31 March 2018 £
Accelerated tax depreciation	79,190	74,888	154,078
Other items	-	9,160	9,160
Revaluation of property	(50,516)	799	(49,717)
Net tax assets	<u>28,674</u>	<u>84,847</u>	<u>113,521</u>

Deferred tax assets and liabilities at 31 March 2019 have been calculated based on the rates substantively enacted at the balance sheet date. The UK Finance Bill 2016 provides for reductions in the UK corporation tax rate from 19% in the year commencing 1 April 2019 and then to 17% from 1 April 2020.

Bruntons Aero Products Limited
Notes to the Financial Statements for the Year Ended 31st March 2019

8 Tangible assets

	Land and Buildings £	Furniture, fittings and equipment £	Motor Vehicles £	Total £
Cost or valuation				
At 1 April 2018	875,000	1,821,316	34,715	2,731,031
Additions	-	311,000	-	311,000
Disposals	-	128,166	-	128,166
At 31 March 2019	<u>875,000</u>	<u>2,260,482</u>	<u>34,715</u>	<u>3,170,197</u>
Depreciation				
At 1 April 2018	79,985	1,208,626	34,713	1,321,324
Charge for the year	19,997	146,128	2	166,127
Eliminated on disposal	-	128,166	-	128,166
At 31 March 2019	<u>99,982</u>	<u>1,480,920</u>	<u>34,715</u>	<u>1,615,617</u>
Carrying amount				
At 31 March 2019	<u>775,018</u>	<u>779,562</u>	<u>-</u>	<u>1,554,580</u>
At 31 March 2018	<u>795,015</u>	<u>614,690</u>	<u>2</u>	<u>1,409,707</u>

Pledged as security

Property with a carrying amount of £589,789 (2018 - £605,807) has been pledged as security for the group pension scheme.

9 Stock

	2019 £	2018 £
Raw materials and consumables	186,728	196,477
Work in progress	364,561	369,031
Finished goods and goods for resale	<u>527,305</u>	<u>423,816</u>
	<u>1,078,594</u>	<u>989,324</u>

The cost of stock recognised as an expense in the year amounted to £1,208,172 (2018 - £1,031,766). This is included within cost of sales.
The amount of write-down of stock recognised as an expense in the year is £29,602 (2018 - £50,525). This is included within cost of sales.

10 Trade and other debtors

	2019 £	2018 £
Trade debtors	681,681	527,526
Amounts due from Intra group entities	33,242	15,167
Accrued income	15,772	16,931
Other debtors	<u>1,638</u>	<u>2,792</u>
Total current trade and other debtors	<u>732,333</u>	<u>562,416</u>

Debtors from related parties are non-interest bearing, unsecured and have no fixed payment date

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade debtors have been grouped based on shared credit risk characteristics and the days past due. On that basis, the loss allowance as at 31 March 2019 was determined as follows for trade debtors:

	2019			2018		
	Gross carrying amount £	Loss allowance £	Expected loss rate £	Gross carrying amount £	Loss allowance £	Expected loss rate £
Not past due	510,931	-	0.0%	346,559	-	0.0%
Past due 0 - 30 days	97,966	-	0.0%	177,064	-	0.0%
Past due 31 - 60 days	-	-	0.0%	-	-	0.0%
Past due 61 - 120 days	53,354	-	0.0%	-	-	0.0%
More than 120 days	19,430	-	0.0%	3,903	-	0.0%
	<u>681,681</u>	<u>-</u>	<u>0.0%</u>	<u>527,526</u>	<u>-</u>	<u>0.0%</u>

The movement in the allowance for impairment in respect of trade receivables and contract assets during the period was as follows. Comparative amounts for 2018 represent the allowance account for impairment losses under IAS 39.

	2019 £	2018 £
Balance at 1 April per IAS 39	-	-
Adjustment on initial application of IFRS 9	-	-
Balance at 1 April per IFRS 9	-	-
Amounts written off	-	-
Net measurement of loss allowance	-	-
Balance at 31 March	<u>-</u>	<u>-</u>

Bruntons Aero Products Limited

Notes to the Financial Statements for the Year Ended 31st March 2019

11 Cash and cash equivalents

	2019 £	2018 £
Cash at bank	<u>392,681</u>	<u>575,228</u>

12 Share Capital

	2019 No.	2019 £	2018 No.	2018 £
Allotted, called up and fully paid shares				
Ordinary of £1 each	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,700,000</u>

13 Obligations under leases and hire purchase contracts

Operating leases

The total future value of minimum lease payments is as follows:

	2019 £	2018 £
Within one year	5,383	9,158
In two to five years	-	18,858
In over five years	<u>5,383</u>	<u>28,016</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £5,383 (2018 - £9,158)

14 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £53,807 (2018 - £50,770).

Contributions amounting to £nil (2018 - £nil) were payable to the scheme at the year end and are included in creditors.

15 Trade and other creditors

	2019 £	2018 £
Trade creditors	228,226	201,160
Accrued expenses	207,490	82,364
Amounts due to intra group entities	1,387,102	1,602,721
Social security and other taxes	21,646	23,289
Other creditors	<u>127,227</u>	<u>40,662</u>
	<u>1,971,691</u>	<u>1,950,196</u>

16 Dividends

	2019 £	2018 £
Final dividend of £0.15 (2018 - £0.24) per ordinary share	<u>256,354</u>	<u>481,908</u>

17 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £nil (2018 - £57,498).

Bruntons Aero Products Limited

Notes to the Financial Statements for the Year Ended 31st March 2019

18 Contingent liabilities

The company has provided cross guarantees in respect of certain bank overdrafts of other Carclo plc subsidiary undertakings.

At 31 March 2019 the overdraft facilities amounted to £18,000,000 (2018 - £15,000,000) of which £12,300,000 (2018 - £6,981,000) had been utilised.

The company has also provided an upstream guarantee to the parent company, Carclo plc, in respect of certain bank loan and overdraft facilities.

At 31 March 2019 the total bank facilities available to the parent company amounted to £30,000,000 (2018 - £30,000,000) of which £29,893,000 (2018 - £29,253,000) had been utilised.

There is a floating charge over the company's assets in respect of the above guarantees.

19 Parent and ultimate parent undertaking

The company's immediate parent is Carclo plc. These financial statements are available upon request from

Springstone House

27 Dewsbury Road

Ossett

WF5 9WS

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Carclo plc, incorporated in England and Wales.

The address of Carclo plc is:

Springstone House

27 Dewsbury Road

Ossett

WF5 9WS