

Registered number: 01318724

ACCROFAB LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020**



ACCROFAB LIMITED

COMPANY INFORMATION

Directors	K M Vicha J M Christie-Smith E J Ashworth N J Godfrey
Registration number	01318724
Registered office	Pegasus House 1 Bromford Gate Erdington Birmingham B24 8DW
Trading address	Unit 11 – Stoney Cross Industrial Park Stoney Gate Road Spondon Derby DE21 7RX
Independent auditors	PricewaterhouseCoopers LLP One Chamberlain Square Birmingham B3 3AX

ACCROFAB LIMITED

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**ACCROFAB LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDING 30 SEPTEMBER 2020**

Introduction

The Directors present their strategic report for the period ended 30 September 2020.

Accrofab Limited was acquired by Bromford Industries Limited on 25 June 2019. As a result of the acquisition the 2019 accounting period was extended to 30 September 2019. These financial statements therefore represent 12 months of trading for 2020 and 18 months of trading for 2019.

Principal activities

The principal activity of the Company is the manufacturing and supply of complex fabricated and machined engine bracketry for the global aerospace industry.

Business review and future developments

On turnover of £10,009,000 (eighteen months ended 30 September 2019: £18,651,000) the Company made an operating profit of £4,885,000 (eighteen months ended 30 September 2019: £4,251,000), which includes exceptional income of £2,598,000 (eighteen months ended 30 September 2019: £NIL) and an exceptional expense of £711,000 (eighteen months ended 30 September 2019: £65,000). The pre-exceptional profit of £2,998,000 (eighteen months ended 30 September 2019: £4,316,000) was after depreciation and amortisation of other intangibles of £201,000 (eighteen months ended 30 September 2019: £523,000). The Company had net assets of £20,069,000 at the end of the year (at 30 September 2019: £16,176,000).

During the year, the Company entered into a sale and leaseback of its Derby facility for £3,400,000 on a 20 year lease resulting in a gain on sale of £2,598,000.

Throughout out the reporting period and during the COVID-19 pandemic we have maintained our fully operating capability and have consistently delivered high levels of service and flexibility.

The Company operates within the aerospace industry which has been adversely affected by Covid-19 and, as a result, we have experienced a negative impact on our financials. During the year we have restructured the business in line with a long term business strategy and have effectively managed the COVID-19 impacts. The business remains economically viable both in the short and long term with plans in place to manage the continued uncertainty. We have experienced high demand on NPI (new product initiative) driven by the environment within which the Company operates. In the longer term we are seeking to enhance our core capabilities and diversify our customer base.

We have continued to invest in our employees to maximize the value for our stakeholders and have maintained our strategic supplier status with our valued customers despite the very challenging situation brought on by COVID-19.

We have made improvements to our orderbook management process to stabilise and smooth customer demand, this has led to improved control of raw materials, reduced lead times, lower stock levels and most significantly an improved delivery performance to our customers.

We are currently working on the next phase of business integration and standardization into the wider Bromford group following our acquisition by the group in June 2019. Accrofab is the leading UK fabrication division for the group and it has achieved enhanced customer satisfaction and improved economic viability across the fabrication division.

During the last year we have signed two new Long-Term Agreements (LTA) and have supported two significant new engine development programs from which we hope to secure additional production OE engine demand. We are currently in discussion with a key customer to extend several significant LTA's for a further five years to help sustain long-term business stability. This will provide confidence to continue investing and developing the business to maintain our position as a key supplier within the aero-engine industry.

**ACCROFAB LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDING 30 SEPTEMBER 2020**

Principal risks and uncertainties

Much of the Company's business is covered by long term arrangements with customers. While this provides some stability to prices, the risk of demand levels falling still remains.

The Company is exposed to credit risk with regard to customers. Most of the Company's customers are major multinationals with excellent credit ratings and all customers have agreed credit limits and trade within them. Credit and collection are managed according to territory, centralised in the UK and US, thus ensuring consistent processes and enhanced controls are deployed across the Company. The matter is further reviewed by the directors on a regular basis and the board does not consider it appropriate to carry credit insurance.

Financial key performance indicators

The Company prepares comprehensive management financial statements monthly which are reviewed by the Directors. In addition to profit and loss, balance sheet and cash flow information, the Company uses a number of Key Performance Indicators (KPI's) to monitor and track the commercial and operational performance of the business. These include measures of working capital such as debtor days, creditor days, stock turn data and productivity measures such as labour efficiency, delivery performance and arrears tracking.

The nature of the Company's business is such that there is little need for fundamental research and development. In house resources are used to develop the industrial processes in which the Company is involved. Work on new product development is capitalised and written off over the expected sales life of the platform.

Safety, Health and Environmental (SHE) Issues

These issues are taken very seriously and are discussed at every Board meeting with SHE being a lead agenda item. The Company intends to operate at the highest levels of employee safety and protection of the environment. The Company is ISO 140001 accredited. There is a comprehensive range of SHE performance indicators that are presented and reviewed at site level and by the board on a monthly basis. Each site conducts a monthly safety review with all key stakeholders represented.

Employees

The Company takes seriously its responsibilities to employees and, as a matter of policy, routinely provides its employees with information on matters that may concern them. It is also policy of the Company to consult regularly, where practical, with employees or their representatives so that their views may be considered in making decisions likely to affect their interests.

Management of the Company meets periodically with the employee representatives to share information on Company performance, discuss policy changes that may affect them and to give employees an opportunity to discuss local issues and other general concerns and points of clarification.

**ACCROFAB LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDING 30 SEPTEMBER 2020**

Employees (continued)

Equality of opportunity is seen as an integral part of the Company's employment practices, policies and procedures. To this end all employees share an obligation to their colleagues, customers and business partners to provide a safe, fair and equitable working environment in which every individual can seek, obtain and continue employment without experiencing any unfair or unreasonable discrimination.

The policy of the Company is to offer the same opportunity to disabled people as to all others in respect of recruitment and career advancement, provided their disability does not prevent them carrying out their required duties. Employees who become disabled will, wherever possible and practicable, be retained in employment and, where necessary, appropriate re-training will be provided.

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



J M Christie-Smith
Director
Date: 30 September 2021

**ACCROFAB LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

The directors present their report and the audited financial statements for the year ended 30 September 2020.

Dividends

No dividends (2019: £1,000,000) have been issued during the year. The directors recommend that no final dividend be paid.

Directors

The directors of the Company who were in office during the period and up to the date of signing the financial statements, unless otherwise stated, were:

K M Vicha – appointed 30 June 2021
J M Christie-Smith – appointed 22 May 2020
N J Godfrey
E J Ashworth
T J Swales – resigned 20 May 2020
M J Stock – resigned 29 June 2020
G J Lowe – resigned 30 Jun 2021

Political and charitable contributions

The Company did not make any political or charitable donations (2019: £Nil) and did not incur any political expenditure during the period (2019: £Nil).

Future developments

Future developments of the Company are detailed in the strategic report.

Going concern

The Company is part of the Bromford Intermediate Holdings Limited Group (Bromford Group). The Bromford Group made a loss of \$25,610,000 (2019: \$24,191,000) for the year ended 30 September 2020, had net current assets of \$39,238,000 (2019: \$8,973,000) and cash of \$6,147,000 (2019: \$3,010,000) as at 30 September 2020.

The Bromford Group has external borrowings with Citizens Bank and Stellus Capital Investment Corporation, for which the Company's parent is party to a cross guarantee with the borrowing entities. The Bromford Group had external debt of \$123,209,000 as at 30 September 2020 and in March 2021, the Bromford Group's bankers amended the terms of the debt agreement to provide an additional loan of \$1,250,000, as well as making availability a \$3,750,000 credit facility. As part of this, the Bromford Group's majority shareholder provided \$15,000,000 of equity and the Bromford Group's bankers amended covenant terms to provide relief from net leverage testing until the reporting period ending 31 December 2022, eliminates EBITDA testing until the reporting period ending 30 June 2022 and imposes a minimum liquidity requirement.

In light of the outbreak of the Coronavirus pandemic and impact on the aviation industry, the directors of the Bromford Group have performed sensitivity analyses on their Board approved forecasts to assess the potential impact of different scenarios. The Board approved forecasts demonstrate sufficient cash headroom and compliance with all covenants for the period to 31 December 2022. However, based on various sensitivity analyses over that period of the potential impact of the Coronavirus pandemic on the aviation industry and the resulting underperformance of the Bromford Group against its forecasts, there is a risk that revenue, EBITDA and cash may not be in line with the sensitised Board approved forecasts such that the covenant tests from 30 June 2022 may

**ACCROFAB LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

Going Concern (continued)

not be adhered to. Breach of the covenant tests would require continued support from the Bromford Group's bankers or, as allowed within the lending agreements, the injection of additional equity or mezzanine loan facilities from the shareholders. This support is not certain to be made available and there is uncertainty as the consequence of the breach on the parent as guarantor. If the Company is sold or liquidated in order to satisfy the cross guarantee this gives rise to uncertainty over the Company's continued existence. As the breaches have not yet occurred, and may not occur, there have been no discussions with either the bankers or the shareholders; meaning that the provision of appropriate support to allow the group to continue as a going concern is not certain to be made available.

After due consideration of the matters set out above, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the consequence on the Company of its parent being a cross guarantor of the potential impact of market conditions on the ability of the group to meet its covenant tests represents a material uncertainty that may cast significant doubt on the Bromford Group and Company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. These financial statements do not contain any adjustment that would arise if the financial statements were not drawn up on a going concern basis.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are 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.

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

**ACCROFAB LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved have confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



J M Christie-Smith
Director
Date: 30 September 2021

**ACCROFAB LIMITED
DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

The directors are responsible for preparing the Annual Report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 audited financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently.
- make judgments and accounting estimates that are reasonable and prudent.
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the and to enable them to ensure that the financial statements comply with the Companies Act 2006. also responsible for safeguarding the assets of the and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**ACCROFAB LIMITED
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ACCROFAB LIMITED**

Report on the audit of the financial statements

Opinion

In our opinion, Accrofab Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 30 September 2020; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the company's ability to continue as a going concern.

The Company is part of the Bromford Intermediate Holdings Limited Group. The terms of the Group's external debt agreements, for which the parent company is party to a cross guarantee with the borrowing entities, require the Group to comply each year with a minimum liquidity requirement, and a quarterly EBITDA covenant test from 30 June 2022. Because of the uncertainty of the potential impact of the Coronavirus pandemic on the aviation industry, there is a risk that revenue, EBITDA and cash may not be in line with the sensitised Board approved forecasts such that the covenant tests from 30 June 2022 may not be adhered to. Breach of the covenant tests would require continued support from the Group's bankers or, as allowed within the lending agreements, the injection of additional equity or mezzanine loan facilities from the shareholders. This support is not certain to be made available, and there is uncertainty as to the consequence of the breach on the parent and group companies as cross guarantors. If the Company is sold or liquidated in order to satisfy the cross guarantee this gives rise to uncertainty over the Company's continued existence.

These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

**ACCROFAB LIMITED
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ACCROFAB LIMITED**

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**ACCROFAB LIMITED
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ACCROFAB LIMITED**

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Matt Palmer

Matt Palmer (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
30 September 2021

ACCROFAB LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2020

		Year ended 30 September 2020 £000	18 month period ended 30 September 2019 £000
	Note		
Turnover	4	10,009	18,651
Cost of sales		<u>(6,561)</u>	<u>(12,310)</u>
Gross profit		3,448	6,341
Distribution costs		(16)	(30)
Other operating income	5	3,217	9
Administrative expenses		(1,053)	(2,004)
Exceptional administrative expenses	14	<u>(711)</u>	<u>(65)</u>
Operating profit	6	4,885	4,251
Interest receivable and similar income	10	-	47
Interest payable and similar expenses	11	<u>(6)</u>	<u>(3)</u>
Profit before tax		4,879	4,295
Tax on profit	12	<u>(986)</u>	<u>(750)</u>
Profit for the financial year		<u>3,893</u>	<u>3,545</u>
Total comprehensive income for the year		<u>3,893</u>	<u>3,545</u>

There were no recognized gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2020 (2019: £NIL).

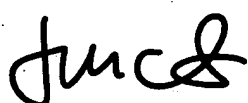
The notes on pages 14 to 31 form part of these financial statements.

ACCROFAB LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	15	155	187
Tangible assets	16	<u>1,612</u>	<u>2,451</u>
		1,767	2,638
Current assets			
Stocks	17	1,704	1,804
Debtors: amounts falling due within one year	18	17,006	13,574
Cash at bank and in hand	19	<u>1,974</u>	<u>579</u>
		20,684	15,957
Creditors: amounts falling due within one year	20	<u>(2,162)</u>	<u>(2,257)</u>
Net current assets		<u>18,522</u>	<u>13,700</u>
Total assets less current liabilities		20,289	16,338
Creditors: amounts falling due after one year	22	<u>(220)</u>	<u>(162)</u>
Net assets		<u>20,069</u>	<u>16,176</u>
Capital and reserves			
Called up share capital	23	11	11
Capital redemption account	24	3	3
Profit and loss account	24	<u>20,055</u>	<u>16,162</u>
Total equity		<u>20,069</u>	<u>16,176</u>

The financial statements on pages 11 to 31 were approved and authorized for issue by the board and were signed on its behalf by:



J M Christie-Smith
Director
Date: 30 September 2021

The notes on pages 14 to 31 form part of these financial statements.

ACCROFAB LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	Called up share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1 April 2018	10	3	13,617	13,630
Comprehensive income for the period				
Profit for the period	-	-	3,545	3,545
Total comprehensive income for the period	-	-	3,545	3,545
Shares issued during the period	1	-	-	1
Dividends: equity capital	-	-	(1,000)	(1,000)
Total transactions with owners	1	-	(1,000)	(999)
At 30 September 2019	11	3	16,162	16,176
Comprehensive income for the year				
Profit for the year	-	-	3,893	3,893
Total comprehensive income for the year	-	-	3,893	3,893
At 30 September 2020	11	3	20,055	20,069

The notes on pages 14 to 31 form part of these financial statements.

ACCROFAB LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

1. General information

Accrofab Limited (the "Company") is a private company limited by shares registered under the Companies Act 2006 and incorporated and domiciled in England in the UK. The registered office is Pegasus House, 1 Bromford Gate, Erdington, Birmingham B24 8DW. Refer to the Strategic report for the principal activities.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The financial statements are presented in Sterling (£). All amounts in the financial statements have been rounded to the nearest £1,000.

The following principal accounting policies have been consistently applied to all periods presented, unless otherwise stated:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Bromford Intermediate Holdco (UK) Limited as at 30 September 2020 and these financial statements may be obtained from companies house.

ACCROFAB LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. Accounting policies (continued)

2.3 Going concern

The Company is part of the Bromford Intermediate Holdings Limited Group (Bromford Group). The Bromford Group made a loss of \$25,610,000 (2019: \$24,191,000) for the year ended 30 September 2020, had net current assets of \$39,238,000 (2019: \$8,973,000) and cash of \$6,147,000 (2019: \$3,010,000) as at 30 September 2020.

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In light of the outbreak of the Coronavirus pandemic and impact on the aviation industry, the directors of the Bromford Group have performed sensitivity analyses on their Board approved forecasts to assess the potential impact of different scenarios. The Board approved forecasts demonstrate sufficient cash headroom and compliance with all covenants for the period to 31 December 2022. However, based on various sensitivity analyses over that period of the potential impact of the Coronavirus pandemic on the aviation industry and the resulting underperformance of the Bromford Group against its forecasts, there is a risk that revenue, EBITDA and cash may not be in line with the sensitised Board approved forecasts such that the covenant tests from 30 June 2022 may not be adhered to. Breach of the covenant tests would require continued support from the Bromford Group's bankers or, as allowed within the lending agreements, the injection of additional equity or mezzanine loan facilities from the shareholders. This support is not certain to be made available and there is uncertainty as the consequence of the breach on the parent as guarantor. If the Company is sold or liquidated in order to satisfy the cross guarantee this gives rise to uncertainty over the Company's continued existence. As the breaches have not yet occurred, and may not occur, there have been no discussions with either the bankers or the shareholders, meaning that the provision of appropriate support to allow the group to continue as a going concern is not certain to be made available.

After due consideration of the matters set out above, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the consequence on the Company of its parent being a cross guarantor of the potential impact of market conditions on the ability of the group to meet its covenant tests represents a material uncertainty that may cast significant doubt on the Bromford Group and Company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. These financial statements do not contain any adjustment that would arise if the financial statements were not drawn up on a going concern basis.

ACCROFAB LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Transactions in foreign currencies are translated to the Company's functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of transaction. Foreign exchange differences arising on translation are recognized in the profit and loss account.

2.5 Revenue

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

Sale of goods

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

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

2.6 Research and development

In the research phase of an internal project, it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

ACCROFAB LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. Accounting policies (continued)

2.7 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.8 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Pensions

Defined contribution pension plan

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

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

2.10 Current and deferred taxation

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

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

ACCROFAB LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. Accounting policies (continued)

2.11 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.12 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

The estimated useful lives range as follows:

Development expenditure	3 - 6 years
-------------------------	-------------

2.13 Tangible fixed assets

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

The estimated useful lives range as follows:

Freehold property	4% on cost
Plant and machinery	15% on reducing balance
Motor vehicles	20% on reducing balance
Fixtures and fittings	15% on reducing balance
Computer equipment	25% on cost

2.14 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

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

ACCROFAB LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. Accounting policies (continued)

2.15 Debtors

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

2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.17 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.18 Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

ACCROFAB LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements required the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of asset and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods impacted.

The key judgements and estimates employed in the financial statements are considered below.

Recoverability of amounts owed by group undertakings

At each reporting date, amounts owed by group undertakings are reviewed for collectability and a reserve is recorded if, in the Directors' judgement, the collectability of the balance is uncertain.

Inventory provision

The Company applies strict inventory provisioning policies which are recalculated monthly and are based on the age of the stock item and, in the case of finished goods, the level of known or anticipated demand.

4. Turnover

All turnover is attributable to the principal activity of the Company.

Analysis of turnover by country of destination:

	Year ended 30 September 2020 £000	18 month period Ended 30 September 2019 £000
United Kingdom	8,319	10,649
Rest of Europe	538	2,595
Rest of the world	1,152	5,407
	<u>10,009</u>	<u>18,651</u>

ACCROFAB LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

5. Other operating income

	Year ended 30 September 2020 £000	18 month period ended 30 September 2019 £000
Gain on sale of tangible assets	2,598	-
Coronavirus Job Retention Scheme government grant	619	-
Insurance claims receivable	-	9
	<u>3,217</u>	<u>9</u>

The Company received income from the UK Coronavirus Job Retention Scheme which allows companies to claim for eligible wages of employees on temporary leave (furlough) due to the effects of COVID-19 on their operations.

6. Operating profit

The operating profit is stated after charging:

	Year ended 30 September 2020 £000	18 month period ended 30 September 2019 £000
Depreciation of tangible fixed assets	204	523
Loss on disposal of tangible fixed assets	2	-
Amortization of other intangible assets	71	-
Bad debt expense	45	-
Foreign exchange differences	4	7

ACCROFAB LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

7. Auditors' remuneration

	Year ended 30 September 2020 £000	18 month period ended 30 September 2019 £000
Fees payable to the Company's auditors and their associates for the audit of the Company's annual financial statements	<u>25</u>	<u>23</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group financial statements of the parent Company.

8. Employees

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

	Year ended 30 September 2020 £000	18 month period ended 30 September 2019 £000
Wages and salaries	3,999	6,292
Social security costs	53	623
Other pension costs	<u>17</u>	<u>133</u>
	<u>4,069</u>	<u>7,048</u>

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

	2020 Number	2019 Number
Production staff	134	117
Administrative staff	7	30
Management staff	<u>2</u>	<u>3</u>
	<u>143</u>	<u>150</u>

ACCROFAB LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

9. Directors' remuneration

	Year ended 30 September 2020 £000	18 month period ended 30 September 2019 £000
Directors' emoluments	245	2,067
Company contributions to defined contribution pension schemes	15	14
	<u>260</u>	<u>2,081</u>

During the period retirement benefits were accruing to 2 directors (2019 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £130,000 (2019: £612,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £8,000 (2019 - £8,000).

10. Interest receivable and similar income

	Year ended 30 September 2020 £000	18 month period ended 30 September 2019 £000
Other interest receivable	<u>-</u>	<u>47</u>

11. Interest payable and similar expenses

	Period ended 30 September 2020 £000	18 month period ended 30 September 2019 £000
Bank interest payable	<u>6</u>	<u>3</u>

ACCROFAB LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

12. Tax on profits

	Year ended 30 September 2020 £000	18 month period ended 30 September 2019 £000
Corporation tax		
Current tax on profits for the year	<u>928</u>	<u>783</u>
Total current tax	<u>928</u>	<u>783</u>
Deferred tax		
Origination and reversal of timing differences	58	(37)
Changes to tax rates	<u>-</u>	<u>4</u>
Total deferred tax	<u>58</u>	<u>(33)</u>
Tax on profit	<u>986</u>	<u>750</u>

Factors affecting tax charge for the year:

The tax assessed for the year is higher than (18 months ended 30 September 2019 - lower) the standard rate of corporation tax in the UK of 19% (18 months ended 30 September 2019 - 19%). The differences are explained below:

ACCROFAB LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

12. Tax on profits (continued)

	Year ended 30 September 2020 £000	18 month period ended 30 September 2019 £000
Profit before tax	<u>4,878</u>	<u>4,295</u>
Profit on ordinary activities multiplied by the standard rate or corporation tax in the UK of 19% (2019 - 19%)	927	816
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1	83
Other timing differences leading to an increase in taxation	58	4
Group relief	<u>-</u>	<u>(153)</u>
Total tax charge for the year/period	<u>986</u>	<u>750</u>

Tax rate changes

The Spring Budget 2021 announced that the UK corporation tax rate will increase to 25% from 1 April 2023. The deferred tax assets and liabilities of the Company have been calculated at 19% as this rate has been substantively enacted at the Balance Sheet date. When calculated at the 2023 rate, the Company's deferred tax liability would increase by £67,000.

13. Dividends

	Year ended 30 September 2020 £000	18 month period ended 30 September 2019 £000
2019: £100 per share	<u>-</u>	<u>1,000</u>

No additional dividends were proposed prior to the date of these statements.

ACCROFAB LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

14. Exceptional administrative expenses

	Year ended 30 September 2020 £000	18 month period ended 30 September 2019 £000
Restructring costs	711	16
Stock adjustments	-	49
	<u>711</u>	<u>65</u>

15. Intangible assets

	Development expenditures £000
Cost	
At 1 October 2019	187
Additions	<u>39</u>
At 30 September 2020	<u>226</u>
Accumulated amortisation	
At 1 October 2019	-
Additions	<u>71</u>
At 30 September 2020	<u>71</u>
Net book value	
At 30 September 2020	<u>155</u>
At 30 September 2019	<u>187</u>

ACCROFAB LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

16. Tangible assets

	Freehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures & fittings £000	Computer equipment £000	Total £000
Cost or valuation						
At 1 October 2019	1,686	3,982	65	310	65	6,108
Additions	38	72	-	16	51	177
Disposals	(804)	-	(13)	-	-	(817)
At 30 September 2020	920	4,054	52	326	116	5,468
Accumulated depreciation						
At 1 October 2019	869	2,473	37	219	59	3,657
Charge for the period on owned assets	18	148	10	12	16	204
Disposals	-	-	(5)	-	-	(5)
At 30 September 2020	887	2,621	42	231	75	3,856
Net book value						
At 30 September 2020	33	1,433	10	95	41	1,612
At 30 September 2019	817	1,509	28	91	6	2,451

17. Stocks

	2020 £000	2019 £000
Raw materials and consumables	463	547
Work in progress (goods to be sold)	355	641
Finished goods and goods for resale	886	616
	<u>1,704</u>	<u>1,804</u>

A stock provision of £309,000 (2019: £258,000) is held at the end of the year.

ACCROFAB LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

18. Debtors: amounts falling due within one year

	2020	2019
	£000	£000
Trade debtors	941	2,379
Amounts owed by group undertakings	15,928	11,037
Prepayments and accrued income	137	158
	<u>17,006</u>	<u>13,574</u>

Included within trade debtors is a provision against trade debtors of £45,000 (2019: £Nil).

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

19. Cash at bank and in hand

	2020	2019
	£000	£000
Cash at bank and in hand	<u>1,974</u>	<u>579</u>

20. Creditors: Amounts falling due within one year

	2020	2019
	£000	£000
Trade creditors	322	791
Amounts owed to group undertakings	265	-
Corporation tax	-	783
Other creditors	8	18
Other taxation and social security	1,173	330
Accruals and deferred income	395	335
	<u>2,163</u>	<u>2,257</u>

ACCROFAB LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

21. Financial instruments

	2020 £000	2019 £000
Financial assets		
Financial assets measured at amortised cost	<u>18,842</u>	<u>14,066</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(594)</u>	<u>(881)</u>

Financial assets that are measured at amortised cost comprise: bank and cash in hand, trade debtors, and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and amounts owed to group undertakings.

22. Creditors: Amounts falling due after one year:

Deferred taxation

	2020 £000	2019 £000
At beginning of year	(162)	(195)
(Charged)/credited to profit and loss	<u>(58)</u>	<u>33</u>
At end of year	<u>(220)</u>	<u>(162)</u>

The provision for deferred taxation is made up as follows:

	2020 £000	2019 £000
Accelerated capital allowances	(220)	(158)
Other	<u>-</u>	<u>(4)</u>
	<u>(220)</u>	<u>(162)</u>

ACCROFAB LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

23. Called up share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
10,665,338 Ordinary shares of £0.001		
(2019: 10,665,338 Ordinary shares of £0.001 each)	<u>11</u>	<u>11</u>
	<u><u>11</u></u>	<u><u>11</u></u>

24. Reserves

Capital redemption reserve

This reserve relates to the value of share capital redeemed out of the Company's profit.

Profit and loss account

Includes all current period and prior year retained profits and losses.

25. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £17,000 (2019: £133,000). Contributions totaling £11,000 (2019: £18,000) were payable to the fund at the balance sheet date and are included in creditors.

26. Related party transactions

The Company has applied the exemptions available under paragraph 33.11 of FRS 102 not to disclose transactions with fellow wholly owned subsidiaries.

ACCROFAB LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

27. Controlling party

The immediate parent company is Bromford Industries Limited. The ultimate parent company is Bromford Holdings LP. Indirectly, the Company is owned by Liberty Hall Capital Partners Fund I, L.P., and other investing parties, managed by Liberty Hall Capital Partners Fund I GP, Ltd., the ultimate controlling party of which is Rowan G.P. Taylor.

The largest group in which the results of the Company are consolidated is that headed by Bromford Intermediate Holdings Limited, incorporated in the Cayman Islands.

The smallest group in which they are consolidated is that headed by Bromford Intermediate Holdco (UK) Limited, incorporated in the United Kingdom. The consolidated financial statements are available to the public and may be obtained from Pegasus House, 1 Bromford Gate, Erdington, Birmingham, B24 8DW.