

COMPANY REGISTRATION NUMBER 01688938

Slingsby Advanced Composites Limited
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2020



Slingsby Advanced Composites Limited

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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Slingsby Advanced Composites Limited

OFFICERS AND PROFESSIONAL ADVISERS

Board of Directors

G.J.S. Moynehan
M.G. Banfield
D.S. Wilkinson
C.J. Morse

Company Secretary

S.J. Moynihan

Registered office

Airport House
The Airport
Cambridge
CB5 8RY

Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Bankers

Barclays Bank plc
9-11 St Andrews Street
Cambridge
CB2 3AA

Solicitors

Bird & Bird
15 Fetter Lane
London
EC4A 1JP

Slingsby Advanced Composites Limited

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2020

The directors of Slingsby Advanced Composites Limited ("the company") present their Report and Financial Statements containing a Strategic Report, Directors' Report and the financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

Profit before corporate management charges for the year was £551,504 (2019: Loss £1,558,920). Turnover of £10,284,202 shows a 19% decrease (2019: £12,730,031). The year was negatively impacted, in revenue terms, by the failure to secure orders from targeted new customers early in the year. However, the Gross Margin showed significant improvement year-on year to 65% (2019: 36%) due on the one hand to the completion of a major complex and loss-making project that had impacted the previous year and the successful implementation of continuous improvement initiatives raising the GM on long-running contracts. In the year the Company incurred significant costs related to restructuring, which led to the redundancy of 30 employees, this and additional costs incurred as a direct result of the Covid pandemic has been shown separately as 'Exceptional Costs' in note 16 totalling £660,984. Notwithstanding these costs, the Company was able to record a net profit of £146,961.

Production of marine projects were delayed by both supply chain issues (dependence on single source supply) and lack of availability of free issue stock from customers. This was partially compensated by 'standing army' claims but has led to an overall increase in cost to completion in some instances.

The Company has produced a 5-year plan, which is reviewed and updated annually, that reflects the continuation and maximisation of opportunities in the defence sector but also an increasing involvement in adjacent sectors with the objective of both widening the customer base and reducing the dependency on current major customers. The company will also continue to develop other specialist activities through Research and Development.

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

	2020	2019	Change
Turnover	£10,284,202	£12,730,031	-19.2%
Gross Margin %	64.6%	36.2%	78.5%
Profit/(loss) before corporate management charges	£551,504	£(1,595,263)	134.6%
Order Intake	£7,959,585	£13,590,000	-41.4%
Number of lost time accidents	0	4	

FUTURE DEVELOPMENTS

Order intake decreased in the year with a number of targeted new accounts not being converted as price competitiveness increased and the market overall depressed due to the Covid pandemic. In addition, several customers rescheduled work into later years also awaiting more certainty of upstream commercial activity. The anticipated mix of work in the short-term will change reflecting the intake of more, smaller value, orders across a broader spectrum of customers.

Future developments relating to the aerospace and defence markets will be supported by the company gaining NADCAP approval (the National Aerospace and Defence Contractors Accreditation Program) planned mid-2021. In addition, the company will be aiming to strengthen its position as a provider of innovative, end-to-end, solutions to commercial and military aerospace, naval defence programmes and other markets and align its service offering and materials know-how where possible to the future requirements identified in the Government's Integrated Review of Security, Defence, Development and Foreign Policy.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Slingsby Advanced Composites Limited

STRATEGIC REPORT (continued)

YEAR ENDED 31 DECEMBER 2020

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

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

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

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

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

CASH FLOWS AND LIQUIDITY RISKS

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

Signed by order of the board of directors

DocuSigned by:

Sarah Moynihan

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S.J. Moynihan

Company Secretary

Approved by the directors on 27 April 2021

Slingsby Advanced Composites Limited

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2020

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

RESULTS AND DIVIDENDS

Profit before corporate management charges was £551,504 (2019: Loss £1,558,920). The profit for the year, after taxation, amounted to £146,961 (2019: loss £2,576,484). The directors have not recommended a dividend (2019: £nil).

DIRECTORS

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

M.G. Banfield (appointed 1 September 2020)
G.J.S. Moynehan
A.D. McPhee (resigned 17 September 2020)
D.S. Wilkinson (appointed 1 September 2020)
C.J. Morse (appointed 1 April 2021)

G.J.S. Moynehan, M.G. Banfield and D.S. Wilkinson are directors of other subsidiary undertakings of the ultimate parent undertaking. No directors hold an interest in the share capital of the company or of any other group company during the year.

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

None of the directors holding office at 31 December 2020 had notified a beneficial interest in any contract to which the company or other group undertakings were a party during the financial year.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

EMPLOYEE ENGAGEMENT

From the perspective of the board, as a result of the group governance structure, the group board has taken the lead in carrying out the duties of a board in respect of the Group's employees, including engaging with them, having regard to their interests and the effect of that regard (including on the principal decisions taken by the company during the financial year). The board of the company has also considered relevant matters where appropriate. An explanation of how the group board has carried out these responsibilities (for the group and for the entity) is set out in the group's annual report, which does not form part of this report.

STAKEHOLDER ENGAGEMENT

Similarly, from the perspective of the board, as a result of the group governance structure, the group board has taken the lead in carrying out the duties of a board in respect of the company's other stakeholders. The board of the company has also considered relevant matters where appropriate. An explanation of how the directors on the group board have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year, is set out (for the group and for the entity) in the group's annual report, which does not form part of this report.

GOING CONCERN

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

Slingsby Advanced Composites Limited

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2020

GOING CONCERN (continued)

For the year ended 31 December 2020 the company generated a post-tax profit of £146,691 and at 31 December 2020 had net current assets of £307,027 and net assets of £4,747,280.

Marshall of Cambridge (Holdings) Limited (MCH) directors have assessed the potential impact of the COVID-19 pandemic and other risks as part of their going concern assessment of the MCH Group. In doing so, the MCH directors have modelled down-side scenarios and stress tests for the MCH Core Group, being the MCH Group excluding the Marshall Motor Holdings plc Group. These models take account of the MCH Core Group's mitigating actions and support from the government.

Having assessed these scenarios, the MCH directors have a reasonable expectation that the MCH Core Group has adequate resources to continue in operational existence for at least the next 12 months from the date of approval of the company's financial statements and provide support necessary for the company.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of MCH, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing their report and financial statements.

EMPLOYMENT POLICIES

The company is committed to its Equal Opportunities policy covering recruitment, training and development, performance review and career progression. The company recognises the diversity of its employees and seeks to use their talents and abilities to the full. This approach extends to the fair treatment of employees with disabilities in relation to their recruitment, training and development. Full consideration is given to the retention of employees who become disabled during employment.

The company recognises the importance of good communications and relations with its employees and it is company policy to keep employees as fully informed as possible on matters which affect them through communication procedures, which include regular briefings and consultative committees. These arrangements are continually being reviewed and updated to ensure the group meets the latest standards.

DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR

BDO LLP were appointed as auditors during the year. They will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Signed by order of the board of directors

DocuSigned by:

Sarah Moynihan

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Sarah Moynihan

Company Secretary

Approved by the directors on 27 April 2021

Company Registration Number 01688938

Slingsby Advanced Composites Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 31 DECEMBER 2020

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

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

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Slingsby Advanced Composites Limited ("the company") for the year ended 31 December 2020, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice)¹.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

Our approach was as follows:

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

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

A further description of our responsibilities is available on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:



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Mark Cardiff (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

London UK

27 April 2021

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

Slingsby Advanced Composites Limited

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	As Restated 2019 £
TURNOVER	2	10,284,202	12,730,031
Cost of sales		(3,644,016)	(8,126,456)
GROSS PROFIT		6,640,186	4,603,575
Administrative expenses		(6,740,845)	(7,630,449)
Other operating income	3	253,604	114,096
PROFIT/(LOSS) BEFORE TAXATION	4	152,945	(2,912,778)
Analysed as:			
Underlying profit / (loss) before tax		813,929	(2,912,778)
Separately disclosed exceptional items	16	(660,984)	-
Tax on profit/ (loss) on ordinary activities		<u>(5,984)</u>	<u>336,294</u>
PROFIT/ (LOSS) AFTER TAXATION		<u>146,961</u>	<u>(2,576,484)</u>

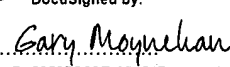
All of the activities of the company are classed as continuing.

The notes on pages 12 to 21 form part of the Report and Financial Statements.

Slingsby Advanced Composites Limited**STATEMENT OF FINANCIAL POSITION****AT 31 DECEMBER 2020**

		2020	As Restated 2019
	Notes	£	£
FIXED ASSETS			
Tangible assets	8	4,440,253	4,657,577
CURRENT ASSETS			
Stocks	9	1,521,044	1,792,805
Debtors	10	3,689,394	6,557,981
Cash at bank		4,916	57,565
		5,215,354	8,408,351
CREDITORS: Amounts falling due within one year	12	(4,474,850)	(7,479,630)
Provisions for contract losses and warranties	13	(433,477)	(985,979)
NET CURRENT ASSETS/(LIABILITIES)		307,027	(57,258)
NET ASSETS		4,747,280	4,600,319
CAPITAL AND RESERVES			
Called-up share capital	17	1,000,000	1,000,000
Profit and loss account		3,747,280	3,600,319
SHAREHOLDER'S FUNDS		4,747,280	4,600,319

The Report and Financial Statements were approved by the directors and authorised for issue on 27 April 2021, and are signed on their behalf by:

DocuSigned by:

 GARY MOYNEHAN
 Director

Company Registration Number: 1688938

The notes on pages 12 to 21 form part of the Report and Financial Statements.

Slingsby Advanced Composites Limited

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2020

	Share capital £	Profit and loss account £	Total share- holder's funds £
Balance brought forward 1 January 2019	1,000,000	6,016,960	7,176,803
Adjustment to Prior Year		159,843	
Balance b/f 1 January 2019 Restated		6,176,803	
Loss for the financial year	-	(2,576,484)	(2,576,484)
Other comprehensive income, net of tax	-	-	-
Total comprehensive income for the year	-	(2,576,484)	(2,576,484)
Balance b/f 1 January 2020 – as restated	1,000,000	3,600,319	4,600,319
Profit for the financial year	-	146,961	146,961
Other comprehensive income, net of tax	-	-	-
Total comprehensive income for the year	-	146,961	146,961
Balance carried forward 31 December 2020	1,000,000	3,747,280	4,747,280

The notes on pages 12 to 21 form part of the Report and Financial Statements.

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

1. Accounting Policies

(a) Statement of compliance

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

The company's financial statements have been prepared in compliance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") as it applies to the financial statements of the company for the year ended 31 December 2020.

(b) Basis of preparation

The financial statements of the company were authorised for issue on 12 April 2021 by the Board of Directors. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the company. Due to an omission of residual values in the calculation of Land and Buildings depreciation, the prior year depreciation value has been restated resulting in a higher carrying value of assets in the Balance Sheet and the respective improvement to the statement of comprehensive income – see note 8.

(c) Going concern

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

For the year ended 31 December 2020 the company generated a post-tax profit of £146,691 and at 31 December 2020 had net current assets of £307,027 and net assets of £4,747,280.

Marshall of Cambridge (Holdings) Limited (MCH) directors have assessed the potential impact of the COVID-19 pandemic and other risks as part of their going concern assessment of the MCH Group. In doing so, the MCH directors have modelled down-side scenarios and stress tests for the MCH Core Group, being the MCH Group excluding the Marshall Motor Holdings plc Group. These models take account of the MCH Core Group's mitigating actions and support from the government.

Having assessed these scenarios, the MCH directors have a reasonable expectation that the MCH Core Group has adequate resources to continue in operational existence for at least the next 12 months from the date of approval of the company's financial statements and provide support necessary for the company.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of MCH, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing their report and financial statements.

(d) Exemptions for qualifying entities under FRS 102

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

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

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

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

1. Accounting Policies *(continued)*

(e) Judgements and key sources of estimation uncertainty

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

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

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

Turnover

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

Research and development expenditure credits

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

Deferred tax

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

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

(f) Turnover

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

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The specific methods used to recognise the different forms of revenue earned by the company are set out below.

Amounts invoiceable in relation to rental activities during the year is included as 'Other Operating Income' in the statement of comprehensive income – see note 3. Rent received is recognised evenly over the period of the related lease.

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

1. Accounting Policies (*continued*)

i) Sale of goods

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

ii) Long-term contracts

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

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

iii) Rendering of services

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

(g) Research and development

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

(h) Research and development expenditure credits

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

(i) Tangible fixed assets

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

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

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

Depreciation is provided when the assets are available for use.

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

(j) Exceptional items

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

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

1. Accounting Policies (*continued*)

(k) Stocks

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

(l) Work in progress

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

(m) Leasing and hire purchase commitments

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

(n) Pension costs

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

(o) Deferred taxation

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

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

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

(p) Foreign currencies

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

(q) Basic Financial Instruments

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

(r) Trade and other debtors and creditors

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

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2. Turnover

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

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

	2020	2019
	£	£
United Kingdom	7,551,383	10,835,254
North America	2,732,819	1,894,777
	<u>10,284,202</u>	<u>12,730,031</u>

3. Other Operating Income

	2020	2019
	£	£
Rent receivable from third parties	20,592	17,448
Research and development expenditure credits	69,733	96,648
Government support re Furlough payments	<u>163,279</u>	<u>114,096</u>
	<u>253,604</u>	<u>228,192</u>

4. Operating Profit

Operating profit is stated after (crediting)/charging:

	2020	Restated 2019
	£	£
Depreciation of owned tangible fixed assets (see note 8)	319,558	425,450
Operating lease costs:		
- Plant and equipment	468	23
Foreign currency (gain)/ loss	(150,980)	7,825
Corporate management charges	<u>404,543</u>	<u>1,017,564</u>

Auditor's Remuneration:

Auditor's remuneration is as follows:

	2020	2019
	£	£
Audit of the financial statements of the company	<u>27,600</u>	<u>25,715</u>

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

5. Particulars of Employees

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

	2020	2019
	No	No
Number of production staff	72	83
Number of administrative staff	40	50
	<u>112</u>	<u>133</u>

The aggregate payroll costs of the above were:

	2020	2019
	£	£
Wages and salaries	3,620,839	4,337,827
Social security costs	379,508	391,429
Pension costs (note 15)	375,971	415,907
	<u>4,376,318</u>	<u>5,145,163</u>

6. Directors' Remuneration

At the beginning of the year, A.D. McPhee and G.J.S. Moynehan were directors of Marshall of Cambridge Aerospace Limited, a fellow group undertaking. With effect from 17 September 2020 A.D. McPhee resigned and on 01 September 20 M.G. Banfield and D.S. Wilkinson were appointed. All directors provide their services to all of the undertakings where they are a director. The directors do not believe that it is practicable to apportion the total remuneration between their qualifying services as directors of the company and their qualifying services as directors of either the immediate parent undertaking or fellow subsidiary undertakings.

The total remuneration of A.D. McPhee is disclosed within the financial statements of the ultimate parent undertaking. A management charge of £1,915,000 (2019: £1,915,000) in respect of administration costs has been made by Marshall of Cambridge (Holdings) Limited, the ultimate parent company to Marshall of Cambridge Aerospace Limited, which includes the remuneration in respect of this director. The total remuneration of G.J.S. Moynehan is disclosed within the financial statements of Marshall of Cambridge Aerospace Limited. A management charge of £404,543 (2019: £1,017,564) has been made to Marshall of Cambridge Aerospace Limited, which includes a proportion of the directors' emoluments.

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

7. Tax on (Loss) / Profit on Ordinary Activities

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

	2020 £	As Restated 2019 £
Current tax		
UK Corporation tax based on the results for the year at 19.00% (2019: 19.00%)	-	-
Other current tax adjustments	20,878	20,360
Adjustments to tax charge in respect of previous years	(49,843)	(90,116)
Group relief recoverable	(47,915)	(469,240)
Total current tax	(76,880)	(538,996)
Deferred tax		
Origination and reversal of timing differences	78,653	101,040
Prior year adjustment	26,965	101,662
Effect of tax rate change on opening asset	(22,754)	1
Total deferred tax	82,864	202,703
Tax on profit/(loss) on ordinary activities	5,984	(336,293)

(b) Factors affecting current tax charge

The UK standard rate of corporation tax is 19.00% (2019: 19.00%). The actual tax charge for the current and previous year varies from the standard rate for reasons set out in the following reconciliation:

	2020 £	Restated 2019 £
Profit/(loss) on ordinary activities before taxation	152,945	(2,912,777)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax of 19.00% (2018: 19.00%)	29,059	(553,428)
Expenses not deductible for tax purposes	8,301	7,626
Research and development enhanced claim	(13,249)	(17,895)
Adjustments to tax charge in respect of previous years	(1,999)	31,907
Effect of differences in tax rate changes on opening asset	(22,754)	-
Impact of tax losses utilised / (not recognised)	-	195,497
Rate difference	6,626	-
Total tax charge / (credit) (note 8(a))	5,984	(336,293)

(c) Factors that may affect future tax charges

The standard rate of tax applied to reported profit on ordinary activities is 19%. Finance Act 2020 maintained the UK corporation tax rate at 19% with effect from 1 April 2020, reversing the previously enacted reduction in the rate of UK corporation tax to 17% from 1 April 2020.

A deferred tax asset of £110,548 in respect of fixed assets and other timing difference has been recognised on the basis the Group has sufficient certainty over recoverability against future taxable profits of the Group. The company has tax losses of £1,102,568 (2019: £1,102,568) being a potential deferred tax asset of £209,288 (2019: £187,436). Since the losses will only be available against the Company's future taxable profits (rather than available as group losses surrendered to fellow group undertakings within the Marshall Cambridge (Holdings) Limited group) and there is uncertainty over the utilisation of the losses on this basis, no deferred tax on these losses has been recognised.

During the year beginning 1 January 2021, the net reversal of deferred tax assets and liabilities is expected to decrease the corporation tax charge for the year by £14,323.

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

8. Tangible Fixed Assets

	Freehold Property £	Plant and Machinery £	Total £
COST			
At 1 January 2020	3,972,959	5,181,129	9,154,088
Additions	17,026	85,208	102,234
At 31 DECEMBER 2020	3,989,985	5,266,337	9,256,322
DEPRECIATION			
At 1 January 2020 as restated	445,554	4,050,957	4,496,511
Charge for the year	35,760	283,798	319,558
At 31 DECEMBER 2020	481,314	4,334,755	4,816,069
NET BOOK VALUE			
At 31 DECEMBER 2020	3,508,671	931,582	4,440,253
At 31 December 2019 as restated	3,527,405	1,130,172	4,657,577

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

In accordance with FRS 102 Section 27 Impairment of Assets paragraph 27 the carrying value of fixed assets at 31 December 2020 have been compared to their recoverable amounts representing their value in use to the company. On the basis of forecast future cashflows, the cashflows exceed the carrying value of the assets and therefore no impairment has been recognised.

Prior year adjustment

An expected residual value for land and buildings had not been included in the calculation of depreciation in prior years, which was identified and retrospectively corrected in the current year. This has reduced the depreciation charge on Land & Buildings by £150,000 in the current year and resulted in an adjustment to the brought forward net book value of £317,264.

9. Stocks

	2020 £	2019 £
Raw materials	1,223,125	1,435,009
Work in progress	297,919	357,796
	1,521,044	1,792,805

The difference between purchase price or production cost of raw materials and their replacement cost is not considered material. Stocks recognised as an expense in the year were £2,493,169 (2019: £4,221,652).

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

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

10. Debtors

	2020	2019
	£	£
Trade debtors	764,874	3,000,225
Amounts owed by group undertakings	1,217,347	1,556,940
Prepayments and accrued income	1,596,624	1,731,115
Deferred tax asset (see note 11)	110,548	193,412
Corporation tax receivable	1	76,289
	<u>3,689,394</u>	<u>6,557,981</u>

11. Deferred Tax Asset

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

	2020	2019
	£	£
Deferred tax asset brought forward	193,413	396,115
Changes in provision	(82,865)	(202,703)
Deferred tax asset carried forward (see note 7)	<u>110,548</u>	<u>193,412</u>

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

	2020	2019
	£	£
Excess of depreciation over capital allowances	75,748	175,518
Other timing differences	34,800	17,894
	<u>110,548</u>	<u>193,412</u>

12. Creditors: Amounts falling due within one year

	2020	2019
	£	£
Payments received on account	707,488	354,835
Trade creditors	128,553	505,590
Amounts owed to group undertakings	2,695,641	5,868,110
Other taxes and social security costs	539,768	141,743
Accruals	403,400	609,352
	<u>4,474,850</u>	<u>7,479,630</u>

13. Creditors: Provisions and Warranties

	2020	2019
	£	£
Provision for contract losses b/f	985,979	94,747
Movement in Customer warranties	(300,000)	654,486
Movement in Customer Liquidated Damages	(123,480)	123,480
Movement in loss provisions	<u>(129,022)</u>	<u>113,266</u>
	<u>433,477</u>	<u>985,979</u>

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

14. Commitments under Operating Leases

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

	2020 Plant & Equipment £	2019 Plant & Equipment £
Within 1 year	468	13,319
Between 2 to 5 years	1,404	1,404
Over 5 years	-	-
	<u>1,872</u>	<u>14,723</u>

15. Pensions

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

The total pension cost for the year for the company in respect of defined contribution schemes was £375,971 (2019: £415,907). The total unpaid pension contributions outstanding at the year-end were £28,662 (2019: £nil).

16. Exceptional Items

During the year, the company undertook a restructuring exercise that resulted in exceptional costs relating to headcount reductions and redundancy and associated costs of £621,799. In addition, due to the incidence of the Covid pandemic, the company incurred costs of an exceptional nature arising from the need to safeguard employees, through the provision of additional PPE and other welfare products, who were obliged to continue to attend the workplace totalling £39,185.

17. Related Party Transactions

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

18. Share Capital

Allotted, called up and fully paid:

	2020 £	2019 £
10,000,000 Ordinary shares of £0.10 each	<u>1,000,000</u>	<u>1,000,000</u>

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

19. Other financial commitments

The Company has access to the parent company's £75,000,000 banking facility which is secured by cross guarantees between certain members of the parent company's group. The Company is one of these members. At the 31 December 2020 £24,726,000 was outstanding (2019 - £7,139,000).

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

20. Ultimate Parent Company and Controlling Party

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

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