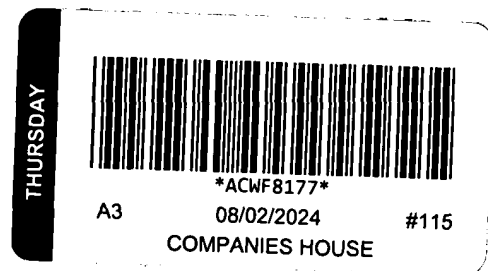


Slingsby Advanced Composites Limited
REPORT AND FINANCIAL STATEMENTS
For the year ended **31 DECEMBER 2022**



Slingsby Advanced Composites Limited

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

CONTENTS	PAGE
Officers and professional advisers	2
Strategic report	3
Directors' report	5
Statement of directors' responsibilities	6
Independent auditor's report to the shareholders	7
Statement of comprehensive income	11
Statement of financial position	12
Statement of changes in equity	13
Notes to the financial statements	14

Slingsby Advanced Composites Limited

OFFICERS AND PROFESSIONAL ADVISERS

Board of Directors	A.R. Forshaw C.J. Morse
Company Secretary	S.J. Moynihan
Registered office	Airport House The Airport Cambridge CB5 8RY
Independent Auditors	PricewaterhouseCoopers LLP Maurice Wilkes Building Cowley Road Cambridge CB4 0DS
Bankers	Barclays Bank plc 9-11 St Andrews Street Cambridge CB2 3AA
Solicitors	Bird & Bird 12 New Fetter Lane London EC4A 1JP

Slingsby Advanced Composites Limited

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2022

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 2022

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

Profit before corporate management charges for the year was £909,227 (2021: £876,063). Profit was negatively impacted by £266,697 as the business continues to strategically invest in the future combat air programme ("Tempest"). Turnover of £10,166,816 shows a 22% increase (2021: £8,334,591). The revenue in year was enhanced by the gaining of a major new customer who committed the design and prototype manufacture of two products which will be completed by Q2 2023. The overall Gross Margin was broadly maintained year-on-year at 63% (2021: 66%) although GM came under pressure due to inflation and consequently higher materials and utilities costs along with additional staff costs due to providing 'cost of living' support. Whilst the presence of the Covid pandemic has continued to impact 2022, as well as previous years, in terms of absenteeism and supply chain efficiencies and associated costs, Covid costs have not been separately identified and classified as 'Exceptional'. Notwithstanding these costs, the Company was able to record a net profit of £389,227 (2021: £526,063), the prior year results were enhanced by the inclusion of a Corporation Tax credit of £150,170 relating to deferred tax on unutilised tax losses whilst 2022 results reflect the anticipated Corporation Tax Charge in year of £116,501.

Production of marine projects were again delayed by both supply chain issues (dependence on single source supply) and lack of availability of free issue stock from customers. The year also saw the completion of one of the major marine projects.

The Company has refreshed its 5-year plan, which is reviewed and updated annually, that reflects the continuation and maximisation of opportunities in the defence sector but also an increasing involvement in adjacent sectors with the objective of both widening the customer base and reducing the dependency on current major customers. However, the relationship with long-standing customers remains very strong. The international conflicts are having a direct, positive impact on defence spend and is leading to some significant increases in volumes earmarked for production by SACL. The company continues to develop other specialist activities through Research and Development aimed particularly at co-developing advanced materials with selected specialist partners and new manufacturing techniques.

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

	2022	2021	Change
Turnover	£10,166,816	£8,334,591	22.0%
Gross Margin %	63.2%	66.2%	(4.5%)
Profit/(loss) before corporate management charges	£909,227	£876,063	3.8%
Number of lost time accidents	0	0	0

FUTURE DEVELOPMENTS

Order intake increased in the year assisted by the delay to projects originally expected to be ordered in 2021. In addition, a number of orders were received from customers who had postponed work during the pandemic awaiting more certainty of upstream commercial activity. Furthermore, the enquiry activity throughout 2022 shows increasing confidence in the market reflected in a significantly greater order intake planned for 2023.

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

Slingsby Advanced Composites Limited

STRATEGIC REPORT (continued)

YEAR ENDED 31 DECEMBER 2022

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

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

CASH FLOWS AND LIQUIDITY RISKS

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

Approved by the board of directors and signed on behalf of the board on 7th February 2024

C. J. Morse
Director



Slingsby Advanced Composites Limited

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements of the company for the year ended 31 December 2022

RESULTS AND DIVIDENDS

Profit before corporate management charges was £909,227 (2021: £876,063). The profit for the year, after taxation, amounted to £389,227 (2021: £526,063). The directors have not recommended a dividend (2021: £nil).

DIRECTORS

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

A.R. Forshaw
C.J. Morse

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

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

Neither of the directors holding office at 31 December 2022 had notified a beneficial interest in any contract to which the company or other group undertakings were a party during the financial year.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

GOING CONCERN

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

For the year ended 31 December 2022 the company generated a post-tax profit of £389,227 and at 31 December 2022 had net current assets of £1,576,070 and net assets of £5,662,570.

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

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

Slingsby Advanced Composites Limited

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Slingsby Advanced Composites Limited and the financial statements in accordance with applicable law and regulation.

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, 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 the 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 judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for 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 also 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

DIRECTORS' CONFIRMATIONS

In the case of each director in office at the date the directors' report is approved:

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

Signed by order of the board of directors

C. J. Morse
Director



Approved by the directors on 7th February 2024
Company Registration Number 01688938

Slingsby Advanced Composites Limited

YEAR ENDED 31 DECEMBER 2022

Independent auditors' report to the members of Slingsby Advanced Composites Limited

Report on the audit of the financial statements

Opinion

In our opinion, Slingsby Advanced Composites Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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, including 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 Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2022; the statement of comprehensive income and 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.

Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

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.

Slingsby Advanced Composites Limited

YEAR ENDED 31 DECEMBER 2022

Independent auditors' report to the members of Slingsby Advanced Composites Limited *(continued)*

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 31 December 2022 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.

Slingsby Advanced Composites Limited

YEAR ENDED 31 DECEMBER 2022

Independent auditors' report to the members of Slingsby Advanced Composites Limited *(continued)*

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Health and Safety at Work etc. Act 1974 and UK employment legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to misstatement of financial information via inappropriate journal entries and/or management bias in key accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Enquiry of and discussions with management and those charged with governance, including the review of Board minutes, for any known or suspected instances of fraud, non-compliance with laws and regulations and any potential or actual litigation or claims;
- Testing of taxation related balances and disclosures including review of any correspondence with HM Revenue & Customs;
- Testing a sample of journals to supporting documentation to identify any inappropriate adjustments; and
- Evaluating the reasonableness of key accounting estimates and judgements made by management to identify any deliberate misstatements in the financial statements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 or intentional misrepresentations, or through collusion.

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.

Slingsby Advanced Composites Limited

YEAR ENDED 31 DECEMBER 2022

Independent auditors' report to the members of Slingsby Advanced Composites Limited *(continued)*

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 obtained 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.



Suzanne Woolfson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
Date: 7th February 2024

Slingsby Advanced Composites Limited

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
TURNOVER	2	10,166,816	8,334,591
Cost of sales		(3,743,519)	(2,920,151)
GROSS PROFIT		6,423,297	5,414,440
Administrative expenses		(5,999,802)	(5,081,836)
Other operating income	3	82,233	43,289
PROFIT BEFORE TAXATION		505,728	375,893
Analysed as:			
Underlying profit before tax		505,728	375,893
Tax on profit	7	(116,501)	150,170
PROFIT AFTER TAXATION		389,227	526,063

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

The notes on pages 14 to 24 form part of the Report and Financial Statements.

Slingsby Advanced Composites Limited

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	Notes	2022 £	2021 £
FIXED ASSETS			
Tangible assets	8	4,086,500	4,169,902
CURRENT ASSETS			
Stocks	9	1,394,265	1,297,802
Debtors	10	3,617,668	3,855,858
Cash at bank and in hand		73,680	9,387
		<u>5,085,613</u>	<u>5,163,047</u>
CREDITORS: Amounts falling due within one year	12	(3,299,937)	(4,050,645)
Provisions	13	(209,606)	(8,961)
		<u>1,576,070</u>	<u>1,103,441</u>
NET CURRENT ASSETS			
		<u>5,662,570</u>	<u>5,273,343</u>
NET ASSETS			
		<u>5,662,570</u>	<u>5,273,343</u>
CAPITAL AND RESERVES			
Called-up share capital	18	1,000,000	1,000,000
Profit and loss account		4,662,570	4,273,343
TOTAL SHAREHOLDERS' FUNDS		<u>5,662,570</u>	<u>5,273,343</u>

The financial statements on pages 11 to 24 were approved by the Board of Directors and authorised for issue on 7th February 2024, and signed on its behalf by:

.....
C. J. Morse
Director



Company Registration Number: 1688938

The notes on pages 14 to 24 form part of the Report and Financial Statements.

Slingsby Advanced Composites Limited

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2022

	Share capital £	Profit and loss account £	Total share- holders' funds £
Balance brought forward 1 January 2021	1,000,000	3,747,280	4,747,280
Profit and total comprehensive income for the financial year	-	526,063	526,063
Balance carried forward 31 December 2021	1,000,000	4,273,343	5,273,343
Balance brought forward 1 January 2022	1,000,000	4,273,343	5,273,343
Profit and total comprehensive income for the financial year	-	389,227	389,227
Balance carried forward 31 December 2022	1,000,000	4,662,570	5,662,570

The notes on pages 14 to 24 form part of the Report and Financial Statements.

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

1. Accounting Policies

(a) Statement of compliance

Slingsby Advanced Composites Limited is a private company limited by shares incorporated and registered in England. 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") and the Companies Act 2006.

(b) Basis of preparation

The financial statements of the company were authorised for issue on February 2024 by the Board of Directors. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the company.

(c) Going concern

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

For the year ended 31 December 2022 the company generated a post-tax profit of £389,227 and at 31 December 2022 had net current assets of £1,576,070 and net assets of £5,662,570.

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

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

(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 2022

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

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

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

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

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.

(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 straight-line 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.

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

1. Accounting Policies (*continued*)

(j) Investment properties

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

(k) Separately Disclosed Exceptional items

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

(l) Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving items. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Cost is determined on a FIFO basis and includes the purchase price, including transport and handling directly attributable to bringing the inventory to its present location and condition.

(m) Work in progress

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

(n) Leasing and hire purchase commitments

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

(o) Pension costs

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

(p) Deferred taxation

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

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

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

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

1. Accounting Policies (*continued*)

(q) Foreign currencies

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

(r) Basic Financial Instruments

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

(s) Trade and other debtors and creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. Accrued income represents revenue earned but not yet invoiced or received at the reporting date. The recognition of accrued income is based on the substance of the transaction and the expectation of future economic benefits. Deferred income represents consideration received from customers for goods and services that have not yet been provided or earned at the reporting date.

2. Turnover

The turnover and profit/(loss) before tax are attributable to the company's principal activity, that of structural composite design and manufacture. Turnover represents the amounts derived from the provision of goods and services and is stated net of VAT. All turnover is generated in the United Kingdom. An analysis of turnover by geographical destination is given below:

	2022 £	2021 £
United Kingdom	7,808,999	6,090,261
North America	2,357,817	2,244,330
	<u>10,166,816</u>	<u>8,334,591</u>

Contract revenue included in the turnover number is £5,784,657 (2021 £4,652,076).

3. Other Operating Income

	2022 £	2021 £
Rent receivable from third parties	31,000	16,187
Research and development expenditure credits	51,233	27,102
	<u>82,233</u>	<u>43,289</u>

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

4. Operating Profit

Operating profit is stated after (crediting)/charging:

	2022	2021
	£	£
Depreciation of owned tangible fixed assets (see note 8)	266,346	315,415
Operating lease costs:		
- Plant and equipment	468	468
Foreign currency (gain)/loss	(4,917)	924
Corporate management charges	520,000	350,000

Auditor's Remuneration:

Auditor's remuneration is as follows:

	2022	2021
	£	£
Audit of the financial statements of the company	35,000	35,000

5. Particulars of Employees

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

	2022	2021
	No	No
Number of production staff	65	59
Number of administrative staff	25	32
	90	91

The aggregate payroll costs of the above were:

	2022	2021
	£	£
Wages and salaries	3,505,240	3,307,448
Social security costs	352,087	321,793
Bonus	297,444	45,050
Other pension costs (note 15)	255,198	361,502
	4,409,969	4,035,793

6. Directors' Remuneration

The directors of the company throughout the year were C.J. Morse and A.R. Forshaw and their remuneration in respect of qualifying services was as follows:

	2022	2021
	£	£
Remuneration	341,092	139,618
Pension contributions to group defined contribution schemes	21,214	11,717
	362,306	151,335

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

	2022	2021
	No	No
Defined contribution schemes	2	2

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

	2022	2021
	£	£
Highest paid director:		
Remuneration	216,343	107,738
Pension contributions to group defined contribution schemes	12,735	9,017
	<u>229,078</u>	<u>116,755</u>

In addition to the above, at the year end, amounts of £81,090 (2021: £39,750) are accruing to the highest paid director in respect of long term incentive schemes which will become payable after 31 December 2022 subject to continued satisfaction of certain performance criteria and continued employment with the company.

7. Tax on profit

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

	2022	2021
	£	£
Current tax		
UK Corporation tax based on the results for the year at 19.00% (2021: 19.00%)	-	-
Other current tax adjustments	9,734	5,149
Adjustments to tax charge in respect of previous years	-	2,703
Group relief recoverable	1,446	1,446
Total current tax	<u>11,180</u>	<u>9,298</u>
Deferred tax		
Origination and reversal of timing differences	107,240	72,620
Adjustments to tax charge in respect of previous years	(1,919)	(175,057)
Effect of tax rate change on opening asset	-	(57,031)
Total deferred tax	<u>105,321</u>	<u>(159,468)</u>
Tax on profit	<u>116,501</u>	<u>(150,170)</u>

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

The UK standard rate of corporation tax is 19.00% (2021: 19.00%). The actual tax (credit) / charge for the current and previous year varies from the standard rate for reasons set out in the following reconciliation:

	2022	2021
	£	£
Profit before taxation	<u>505,728</u>	<u>375,893</u>
Profit for the year multiplied by the standard rate of corporation tax of 19.00% (2021: 19.00%)	96,088	71,420
Expenses not deductible for tax purposes	1,768	7,794
Research and development claim	2,134	1
Adjustments to tax charge in respect of previous years	(1,919)	(172,354)
Effect of differences in tax rate changes on opening asset	-	(57,031)
Rate difference	18,430	-
Total tax charge/(credit) (note 7(a))	<u>116,501</u>	<u>(150,170)</u>

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

(c) Factors that may affect future tax charges

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

8. Tangible Assets

	Freehold Property £	Investment Property £	Plant and Machinery £	Total £
COST				
At 1 January 2022	3,773,534	240,000	4,746,278	8,759,812
Additions	119,873	-	63,071	182,944
Disposals	-	-	(32,671)	(32,671)
At 31 DECEMBER 2022	3,893,407	240,000	4,776,678	8,910,085
ACCUMULATED DEPRECIATION				
At 1 January 2022	530,551	-	4,059,359	4,589,910
Charge for the year	51,475	-	214,871	266,346
Disposals	-	-	(32,671)	(32,671)
At 31 DECEMBER 2022	582,026	-	4,241,559	4,823,585
NET BOOK VALUE				
At 31 DECEMBER 2022	3,311,381	240,000	535,119	4,086,500
At 31 December 2021	3,242,983	240,000	686,919	4,169,902

Within plant and machinery there is £Nil (2021: £Nil) of assets in the course of construction (AICC).

A small property on the Kirkbymoorside site is rented to a third party and is treated as an investment property at fair value. The property has been valued as at 31 December 2022 at £270,000 (2021 £240,000) although no adjustment has been made to the carrying value shown in the financial statements from that shown the prior year.

In accordance with FRS 102 Section 27 Impairment of Assets paragraph 27 the carrying value of fixed assets at 31 December 2022 have been compared to their recoverable amounts representing their value in use to the company. On the basis of forecast future cashflows, the cashflows exceed the carrying value of the assets and therefore no impairment has been recognised.

9. Stocks

	2022 £	2021 £
Raw materials	1,048,186	1,163,558
Work in progress	346,079	134,244
	1,394,265	1,297,802

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 £2,215,312 (2021: £1,452,870).

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

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).

10. Debtors

	2022	2021
	£	£
Trade debtors	1,599,121	1,326,151
Amounts owed by group undertakings	1,025,518	1,173,786
Deferred tax asset (see note 11)	164,695	270,016
Corporation tax receivable	52,030	10,531
Prepayments and accrued income	776,304	1,075,374
	<u>3,617,668</u>	<u>3,855,858</u>

11. Deferred tax asset

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

	2022	2021
	£	£
Deferred tax asset brought forward	270,016	110,548
(Charge) / Credit through income statement	(105,321)	159,468
Deferred tax asset carried forward (see note 10)	<u>164,695</u>	<u>270,016</u>

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

	2022	2021
	£	£
Excess of depreciation over capital allowances	(13,126)	26,488
Other timing differences	72,952	40,475
Tax losses carried forward	<u>104,869</u>	<u>203,053</u>
	<u>164,695</u>	<u>270,016</u>

A deferred tax asset of £164,695 in respect of fixed assets, other timing differences and tax losses carried forward has been recognised on the basis the Group has sufficient certainty over recoverability against future taxable profits of the Group. Included within the deferred tax asset is £104,869 (2021: £203,053) in respect of tax losses carried forward of £419,477.

During the year beginning 1 January 2022, the net reversal of deferred tax assets and liabilities is expected to decrease the corporation tax charge for the year by £98,577.

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

12. Creditors: Amounts falling due within one year

	2022	2021
	£	£
Payments received on account	819,446	846,928
Trade creditors	97,936	140,303
Amounts owed to group undertakings	1,227,906	2,537,746
Other taxes and social security costs	268,327	186,375
Accruals	886,322	339,293
	<u>3,299,937</u>	<u>4,050,645</u>

13. Creditors: Provisions

	2022	2021
	£	£
Provisions brought forward	8,961	433,477
Provisions reversed during the year	-	(354,498)
Provision utilised during the year	(8,405)	(78,979)
Additional provisions made during the year	209,050	8,961
Provisions carried forward	<u>209,606</u>	<u>8,961</u>

The Company has invested in Project Tempest which is being undertaken at a known loss which will be utilised over the next two years.

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:

	2022	2021
	Plant & Equipment	Plant & Equipment
	£	£
Within 1 year	468	468
Between 2 to 5 years	468	936
	<u>936</u>	<u>1,404</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 £255,198 (2021: £361,502). The total unpaid pension contributions outstanding at the year-end were £37,529 (2021: £31,428).

16. Related Party Transactions

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

Slingsby Advanced Composites Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

17. Called-up Share Capital

Allotted, called up and fully paid:

	2022 £	2021 £
10,000,000 (2021: 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.

18. Other financial commitments

The Company had access to the parent company's £75,000,000 (2021: £75,000,000) banking facility which was secured by cross guarantees between certain members of the parent company's group. The Company was one of these members. This facility was cancelled on 23 December 2022. At the 31 December 2022 there was £nil outstanding (2021 - £53,384,000).

From 23 December 2022 the Company had access to the parent company's £15,000,000 overdraft facility and its €3,500,000 overdraft facility both of which are secured by certain members of the parent company's group. The Company is one of these members. At 31 December 2022 there was £nil and €1,988,000 (2021 - £nil and €nil) outstanding on these facilities.

19. 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.