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Darchem Holdings Limited

Report and Financial Statements

30 September 2019

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COMPANIES HOUSE

Darchem Holdings Limited

Directors

S Wray

W Meijer

J Crandall (Resigned 2nd October 2019)

L Sabol (Appointed 2nd October 2019)

Secretary

Taylor Wessing LLP

Auditors

Ernst & Young LLP

Citygate

St James' Boulevard

Newcastle upon Tyne NE1 4JD

Bankers

HSBC Bank plc

City of London Corporate Office

62-76 Park Street

London SE1 9WP

Solicitors

Taylor Wessing LLP

5 New Street Square

London EC4A 3TW

Registered Office

5 New Street Square

London EC4A 3TW

Strategic report

The directors present their strategic report, for the year ended 30 September 2019.

Principal activity

Darchem is a world class engineering company providing products and services primarily to meet the needs of its customers for engineered solutions to high temperature/thermal engineering problems.

Darchem is a market leader in the design, manufacture (and if required installation) of a wide range of high integrity engineered products in stainless steel and titanium as well as thermal insulation systems for aerospace, motorsport, marine defence, nuclear and oil & gas applications.

Darchem holds BS EN ISO 9001 together with a wide range of specific company approvals from its worldwide customer base. The company is accredited with environmental approval BS EN 14001 at its main site. The company also holds NADCAP approvals for the following processes at its main site; welding, NDT, chemical processing and non-conventional machining.

More information on the company's activities can be found on the company web site: www.darchem.co.uk.

The Strategic Report contains the Business Review and Principal Risks and uncertainties.

Business review and future developments

The key financial and other performance indicators during the year were as follows;

| | 2019 | 2018 | Change |
|-----------------------------|--------|--------|--------|
| | £000 | £000 | % |
| Turnover | 85,423 | 75,687 | 13% |
| Operating Profit | 13,966 | 12,164 | 15% |
| Shareholders' funds | 55,524 | 57,281 | (3%) |
| Quick ratio | 2.2 | 3.5 | |
| Average number of employees | 852 | 826 | 3% |

Principal risks and uncertainties

Competitive risk

The group competes in an open market environment. The group's customers select suppliers based on a combination of factors including price, delivery, quality and reputation. The group reviews key performance indicators (KPIs) to monitor its competitive position. The group also aims to secure long term contracts with customers to help mitigate any risk.

Financial risk management policy

The group's principal financial instruments comprise cash, and group loans. Other financial assets and liabilities, such as trade debtors, trade creditors and group balances, arise directly from the group's operating activities.

The main risks associated with the group's financial assets and liabilities are set out below.

Interest rate risk

The group invests surplus cash in a floating rate interest yielding bank deposit account. Interest is charged at a variable rate on group loans. Therefore financial assets, liabilities, interest income and interest charges and cash flows can be affected by movements in interest rates. However, the exposure is reduced as these cash flows largely offset each other.

Strategic report

Principal risks and uncertainties (continued)

Financial risk management policy (continued)

Credit risk

The risk of financial loss due to counterparty's failure to honour its obligations arises principally in relation to transactions where the group provides goods and services on extended terms. The group also loans money to fellow group undertakings and therefore there is a risk that an element of this may not be recovered.

Group policies are aimed at minimising such losses, and require that extended terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored with customers subject to credit limits to ensure that the group's exposure to bad debts is not significant. Goods may be sold on a cash-with-order basis to mitigate credit risk.

Liquidity risk

The group aims to mitigate liquidity risk by managing cash generated by its operations. Capital expenditure is approved at group level. Flexibility is maintained by retaining surplus cash in readily accessible bank deposit financial statements.

Brexit

The result of the EU referendum in 2016 increased the level of macroeconomic uncertainty, with the company considering the impact of what could be a 'no deal' scenario. Business continuity plans have been drawn up in order to mitigate potential risks and the Directors believe that the Company is well positioned to contend with any 'no deal' scenario. However, some of the risk areas are considered as follows:

The company employs staff from within the EU and is actively working with existing EU employees to ensure their continued employment with the company under the EU Settlement Scheme.

A number of suppliers source products from within the EU. The company is in regular contact with its suppliers and is aware of the steps they are taking to protect stock levels and prevent disruption to supply. The company is assessing the requirements to hold higher levels of raw material stock should it need to. The company has sufficient cash resources to enable it do this.

Foreign currency risk

The group's principal transactions in foreign currency are trading (sales) balances denominated in currencies other than sterling. As a result the value of group's non-sterling revenues, purchases, financial assets and liabilities and cash flows can be affected by movements in exchange rates in general and in US Dollar and Euro exchange rates in particular. Hedging activity is undertaken locally to mitigate this risk. The group only utilises fixed forward currency contracts to manage identified exposures and does not trade in such instruments for speculative purposes. At 30 September 2019, the value of unsettled foreign exchange forward contracts in all group companies was estimated at £4,670,000 (2018: £13,423,000) based on the exchange rate prevailing at the year-end date, being the gross commitment to sell foreign currency.

Approved by the Board on 29th September 2020 and signed on its behalf by:



S Wray
Director

29th September 2020

Registered No. 3966333

Directors' report

The directors present their report and financial statements for the year ended 30 September 2019.

Certain information, including principal activities, review of business and financial risks is not shown in the Directors' Report because it is shown in the strategic report instead under S414 C (11).

Results and dividends

The profit for the year after tax amounted to £13,243,000 (2018 – £10,849,000). Dividends of £15,000,000 were paid during the year (2018 – £3,000,000).

Research and development

Research and development activities are directed principally towards the development of new products and improving the performance and cost effectiveness of existing products.

Directors

The directors who served the company during the year were as follows:

S Wray

W Meijer

J Crandall (Resigned 2nd October 2019)

L Sabol (Appointed 2nd October 2019)

Policy and practice on payment of creditors

The group does not operate a standard policy in respect of payments to suppliers. Each operating company is responsible for agreeing the terms and conditions under which business transactions are conducted, including terms of payment. It is group policy that payments to suppliers are made in accordance with agreed terms unless the supplier fails to honour its obligations. At 30 September 2019 the company had an average of 42 days (2018 – 39 days) purchases outstanding in trade creditors.

Employees

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

If an existing employee becomes disabled, it is the group's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development wherever appropriate.

During the year the policy of providing information about the group has been achieved through the production and distribution on a regular basis of news bulletins for employees. Regular meetings are held between management and employees to allow a free flow of information and ideas.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 and 3. During the year the group generated Profit after tax of £13.8m (2018 Profit after tax £11.4m). At 30th September 2019, the group had £14.5m (2018: £14.2m) of cash at bank and in hand. The group had no external long-term or short-term borrowings. In addition, in the financial statements for the year ending 30th September 2020, the group has an intercompany loan due to a Group undertaking of £8m which is repayable on demand and £28.0m of cash at bank and in hand.

On 11th March 2020, the World Health Organisation ("WHO") announced a global pandemic in relation to the Coronavirus outbreak ("Covid-19"), which has had a significant impact on the global and UK

Directors' report (continued)

Going Concern (continued)

economies. Despite the interruptions to normal operations as a result of Covid-19, the group remains in a robust cash and liquidity position.

The group has considered financial resources and has a number of long-term contracts with customers across different segments and geographical areas which give rise to a steady revenue and cash inflow and are not expected to be significantly impacted by Covid-19 due to the industries in which they operate.

The Directors have prepared sensitivity analysis and cash flow forecasts for the year to 30th September 2021 supporting their conclusions. Such forecasts consider the following:

- The planned extent of capital expenditure and future investment across the group.
- A conservative approach as to the direct impact of Covid-19 across all sectors of the group applying forecasts endorsed and approved at Board and Group level.
- The group's working capital requirements over the period.

These forecasts indicate that the group will have sufficient to meet its liabilities as they fall due for that period.

In addition, the group has undertaken a reverse stress test for the group which models for some sectors within the group, a decline in performance at 0% - 25% of current volumes. Given the cash resources of the group, as noted above, even at this level of reduced activity the group will still have sufficient cash resources to meet its liabilities over the forecast period.

Based upon these forecasts the Directors are satisfied the group is well placed to manage its business risks successfully. The Directors have concluded that the group has adequate resources to continue to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. Therefore, the Directors are satisfied they have a reasonable basis upon which to conclude that it remains appropriate to prepare the financial statements on a going concern basis.

Post Balance Sheet Events

On 11th March 2020, the World Health Organisation ("WHO") announced a global pandemic in relation to the Coronavirus outbreak ("COVID-19"), which has had a significant impact on the global and UK economies. For accounting purposes, the pandemic is a non-adjusting post balance sheet event so the reporting or accounting for any impacts has not been reflected in these financial statements.

The group has seen a downturn in activities within the aerospace market but has seen a gradual improvement within the motor sport, marine defence and in particular the Nuclear markets.

Despite the downturn, the group has continued to operate production sites via adopting work environments ensuring adherence to social distancing guidelines in accordance with Government guidelines. Throughout this period, a positive EBITDA has continued to be generated; Customer credit exposure has been monitored tightly and by working closely with customers, we have been able to manage our debtor exposure effectively. In addition, the group has taken advantage of the Government furlough scheme to try to minimise the impact to employees.

Due to the uncertainties caused by Covid-19, the group is taking appropriate measures to reduce any consequences the epidemic may have on its business and earnings. At this stage, no impairment is expected to be booked in the 2020 financial statements in respect of Covid-19 and the group expects to be able to continue to operate as a going concern. There has been no financial impact on our results at 30th September 2019.

Disclosure of information to the auditors

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 the 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.

Directors' report (continued)

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'S Wray', with a stylized, flowing script.

S Wray

Director

29th September 2020

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 FRS102 "The Financial Reporting standard applicable in the UK and the 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 group and the company and of the profit or loss of the group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Darchem Holdings Limited

Opinion

We have audited the financial statements of Darchem Holdings Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 30 September 2019 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Financial Position, the Company Statement of Financial Position, the Group Statement of Cash Flows and the related notes 1 to 25, 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 30 September 2019 and of the group's 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.

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 below. We are independent of the group and parent 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.

Emphasis of matter – Effects of COVID-19

We draw your attention to Note 25 of the financial statements, which describes the potential financial and operational impact the company is facing as a result of COVID-19, which is impacting liquidity, supply chains, customer demand and personnel available for work. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report set out on pages 2 to 7, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 parent company 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 directors' responsibilities statement set out on page 7, 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 group's and the parent 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 group or the parent 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

Ernst & Young LLP

Tim Helm (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle
29th September 2020

Group Income Statement

for year ended 30 September 2019

| | Notes | 2019 £000 | 2018 £000 |
|--|-------|--------------|--------------|
| Turnover | 2 | 85,423 | 75,687 |
| Cost of sales | | (64,804) | (57,584) |
| Gross Profit | | 20,619 | 18,103 |
| Distribution costs | | (1,572) | (701) |
| Administrative expenses | 3 | (5,081) | (5,294) |
| Other operating income | 3 | - | 56 |
| Operating Profit | 3 | 13,966 | 12,164 |
| Interest payable and similar charges | 6 | (48) | (53) |
| Interest receivable and similar charges | 7 | 59 | 130 |
| Profit on ordinary activities before taxation | | 13,977 | 12,241 |
| Taxation | 8 | (734) | (1,392) |
| Profit on ordinary activities after taxation | | 13,243 | 10,849 |

All of the activities of the company are classed as continuing

Group Statement of Comprehensive Income

for year ended 30 September 2019

There are no other items of comprehensive income other than the profit of £13,243,000 in the year to 30 September 2019 (2018 – Profit of £10,849,000).

Group Statement of Changes in Equity

| | Share capital £000 | Share Premium £000 | Profit and loss account £000 | Total £000 |
|--------------------------------|-----------------------|--------------------------|------------------------------------|---------------|
| At 30 September 2017 | 775 | 7,953 | 40,704 | 49,432 |
| Profit for the year | - | - | 10,849 | 10,849 |
| Dividends paid during the year | - | - | (3,000) | (3,000) |
| At 30 September 2018 | 775 | 7,953 | 48,553 | 57,281 |
| Profit for the year | - | - | 13,243 | 13,243 |
| Dividends paid during the year | - | - | (15,000) | (15,000) |
| At 30 September 2019 | 775 | 7,953 | 46,796 | 55,524 |

Company Statement of Changes in Equity

| | <i>Share capital</i> £ | <i>Share Premium</i> £ | <i>Profit and loss account</i> £ | <i>Total</i> £ |
|--------------------------------|-------------------------------|-------------------------------|---|-------------------|
| At 30 September 2017 | 775 | 7,953 | 17,213 | 25,941 |
| Profit for the year | - | - | 2,971 | 2,971 |
| Dividends paid during the year | - | - | (3,000) | (3,000) |
| At 30 September 2018 | <u>775</u> | <u>7,953</u> | <u>17,184</u> | <u>25,912</u> |
| Profit for the year | - | - | 15,000 | 15,000 |
| Dividends paid during the year | - | - | (15,000) | (15,000) |
| At 30 September 2019 | <u>775</u> | <u>7,953</u> | <u>17,184</u> | <u>25,912</u> |

Group Statement of Financial Position

at 30 September 2019

| | Notes | 2019 £000 | 2018 £000 |
|---|-------|-----------------|-----------------|
| Fixed assets | | | |
| Intangible assets | 10 | 685 | 1,233 |
| Tangible assets | 11 | 21,969 | 17,987 |
| | | <u>22,654</u> | <u>19,220</u> |
| Current assets | | | |
| Stocks | 13 | 14,039 | 14,663 |
| Debtors: amounts falling due within one year | 14 | 24,941 | 22,962 |
| Debtors: amounts falling due greater than one year - deferred tax | 8 | 110 | 254 |
| Cash at bank and in hand | | 14,515 | 14,224 |
| | | <u>53,605</u> | <u>52,103</u> |
| Creditors: amounts falling due within one year | 15 | <u>(17,831)</u> | <u>(10,576)</u> |
| Net current assets | | <u>35,774</u> | <u>41,527</u> |
| Total assets less current liabilities | | <u>58,428</u> | <u>60,747</u> |
| Creditors: amounts falling due greater than one year | 16 | <u>(2,904)</u> | <u>(3,466)</u> |
| Net Assets | | <u>55,524</u> | <u>57,281</u> |
| Capital and reserves | | | |
| Called up share capital | 17 | 775 | 775 |
| Share premium account | | 7,953 | 7,953 |
| Profit and loss account | | 46,796 | 48,553 |
| Shareholders' funds | | <u>55,524</u> | <u>57,281</u> |

The financial statements were approved for issue by the board of directors and signed on their behalf by:



S Wray

Director

29th September 2020

Company Statement of Financial Position

at 30 September 2019

| | Notes | 2019 £000 | 2018 £000 |
|---|-------|--------------|--------------|
| Fixed assets | | | |
| Investments | 12 | 25,901 | 25,901 |
| Current assets | | | |
| Debtors | 14 | - | 1 |
| Cash at bank and in hand | | 13 | 10 |
| | | 13 | 11 |
| Creditors: amounts falling due within one year | 15 | (2) | - |
| Net current assets | | 11 | 11 |
| Total assets less current liabilities | | 25,912 | 25,912 |
| Net Assets | | 25,912 | 25,912 |
| Capital and reserves | | | |
| Called up share capital | 17 | 775 | 775 |
| Share premium account | | 7,953 | 7,953 |
| Profit and loss account | | 17,184 | 17,184 |
| Shareholders' funds | | 25,912 | 25,912 |

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own Company Income Statement for the year.

The company's profit for the period attributable to the shareholders is £15,000,000 (Sept 2018 – £2,971,000)

The financial statements were approved for issue by the board of directors and signed on their behalf by:



S Wray

Director

29th September 2020

Group statement of cash flows

for the year ended 30 September 2019

| | Notes | 2019 £000 | 2018 £000 |
|---|-------|---------------|---------------|
| Net cash inflow from operating activities | 3 | 21,969 | 6,896 |
| Investing activities | | | |
| Interest received | 7 | 59 | 130 |
| Payments to acquire tangible fixed assets | 11 | (6,440) | (2,000) |
| Receipts from sale of fixed assets | 11 | 3 | - |
| Financing activities | | | |
| Interest payable on finance leases | 6 | (48) | (53) |
| Finance lease repayments | | (252) | (247) |
| Equity dividends paid | 9 | (15,000) | (3,000) |
| Increase in cash in the year | | <u>291</u> | <u>1,726</u> |
| Cash and cash equivalents at 30 September 2018 | | <u>14,224</u> | <u>12,498</u> |
| Cash and cash equivalents at 30 September 2019 | | <u>14,515</u> | <u>14,224</u> |

Notes to the financial statements

at 30 September 2019

1. Accounting policies

Statement of compliance

Darchem Holdings Limited is a limited liability company, limited by shares, incorporated in England. The Registered Office is 5 New Street Square, London EC4A 3TW.

The company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 30th September 2019.

Consolidated financial statements of TransDigm Group Inc. are available to the public and may be obtained from TransDigm Group Inc., The Tower at Erieview, 1301 East 9th St., Suite 3000, Cleveland, OH 44114

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards.

The accounting principles used to prepare the financial statements are based on historical cost, unless stated otherwise.

The financial statements are prepared in GBP sterling which is the functional currency of the group, and are rounded to the nearest thousand.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 and 3. During the year the group generated Profit after tax of £13.8m (2018 Profit after tax £11.4m). At 30th September 2019, the group had £14.5m (2018: £14.2m) of cash at bank and in hand. The group had no external long-term or short-term borrowings. In addition, in the financial statements for the year ending 30th September 2020, the group has an intercompany loan due to a Group undertaking of £8m which is repayable on demand and £28.0m of cash at bank and in hand.

On 11th March 2020, the World Health Organisation ("WHO") announced a global pandemic in relation to the Coronavirus outbreak ("Covid-19"), which has had a significant impact on the global and UK economies. Despite the interruptions to normal operations as a result of Covid-19, the group remains in a robust cash and liquidity position.

The group has considered financial resources and has a number of long-term contracts with customers across different segments and geographical areas which give rise to a steady revenue and cash inflow and are not expected to be significantly impacted by Covid-19 due to the industries in which they operate.

The Directors have prepared sensitivity analysis and cash flow forecasts for the year to 30th September 2021 supporting their conclusions. Such forecasts consider the following:

- The planned extent of capital expenditure and future investment across the group.
- A conservative approach as to the direct impact of Covid-19 across all sectors of the group applying forecasts endorsed and approved at Board and Group level.
- The group's working capital requirements over the period.

These forecasts indicate that the group will have sufficient to meet its liabilities as they fall due for that period.

In addition, the group has undertaken a reverse stress test for the group which models for some sectors within the group, a decline in performance at 0% - 25% of current volumes. Given the cash resources of the group, as noted above, even at this level of reduced activity the group will still have sufficient cash resources to meet its liabilities over the forecast period.

Based upon these forecasts the Directors are satisfied the group is well placed to manage its business risks successfully. The Directors have concluded that the group has adequate resources to continue to meet its

Notes to the financial statements

at 30 September 2019

1. Accounting policies (continued)

Going Concern (continued)

liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. Therefore, the Directors are satisfied they have a reasonable basis upon which to conclude that it remains appropriate to prepare the financial statements on a going concern basis.

Group financial statements

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 September 2019. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

The only gains and losses arising in Darchem Holdings was a Profit of £15,000,000 (2018 - £2,971,000)

In the parent company financial statements investments in subsidiaries are accounted for at cost less impairment.

Statement of cash flows

Cash, for the purpose of the statement of cash flows, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Goodwill

Purchased goodwill (representing the consideration paid over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal annual instalments over their estimated useful economic lives, as follows:

| | |
|------------------------------|-----------------------|
| Freehold land and buildings | – 50 years |
| Leasehold land and buildings | – over the lease term |
| Plant and machinery | – 3 to 15 years |

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.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Long-term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in prior years. Provision is made for any losses as soon as they are foreseen.

Notes to the financial statements

at 30 September 2019

1. Accounting policies (continued)

Long-term contracts (continued)

Contract work in progress is stated at costs incurred, less that transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments received on account.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Deferred taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 8.

Short term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Derivative instruments

The company uses forward foreign currency contracts to reduce exposure to foreign exchange rates.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit and loss. Derivative are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

The company does not undertake any hedge accounting transactions.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date and any gains or losses on translation are taken to the profit and loss account.

Leasing commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the assets have passed to the company are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. A corresponding liability is recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments in the balance sheet. Lease payments are apportioned between the reduction of the lease liability and the finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability.

Notes to the financial statements

at 30 September 2019

1. Accounting policies (continued)

Leasing commitments (continued)

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the year of the lease.

Post-retirement benefits

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting year.

Government grants

Grants relating to expenditure on tangible fixed assets are credited to deferred income and amortised to the profit and loss account over the useful economic lives of the assets to which they relate. Grants of a revenue nature are credited to income in the year to which they relate.

Share-based payments

Certain employees have been granted share options in the ultimate parent undertaking. The fair value of options granted, if material, is recognised as an employee expense in the income statement with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options is measured using the "Black-Scholes" option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised in the income statement, if material, is adjusted at each balance sheet date to reflect the number of share options that vest revised for expected leavers and estimated achievement of non-market based vesting condition.

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 year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements.

Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Long term contracts

The Company estimates the stage of completion of each project in order to determine the amount of revenue to be recognised. This is based on an estimate of costs to complete the project and factors in due consideration of changes to scope that may arise during the projects.

Goodwill and intangible assets

The Group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Notes to the financial statements

at 30 September 2019

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties, except in respect of long-term contracts where turnover represents the sales value of work done in the year, including estimates in respect of amounts not invoiced. Turnover in respect of long-term contracts is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract.

An analysis of turnover by geographical market has not been disclosed. The directors are of the opinion that to disclose such information could be prejudicial to the interests of the company.

3. Operating Profit

(a) This is stated after charging/(crediting):

| | 2019 £000 | 2018 £000 |
|--|--------------|--------------|
| Auditors' remuneration | 137 | 115 |
| Depreciation of owned fixed assets (see note 11) | 2,196 | 1,820 |
| Depreciation of assets held under finance leases and Hire purchase contracts | 258 | 261 |
| Amortisation of goodwill | 548 | 548 |
| Operating lease rentals – plant and machinery | 101 | 97 |
| – other assets | 10 | 310 |
| Research and development | 64 | 106 |
| Government Grants | (79) | (13) |
| Restructuring Costs | 126 | - |
| Exchange losses | 38 | 1,267 |
| Loss on Disposal of Fixed Assets | 2 | 20 |
| Royalty income received | - | (55) |
| Fair value movement of the forward rate contracts | 80 | (1,175) |

(b) Reconciliation of operating profit to net cash inflow from operating activities

| | 2019 £000 | 2018 £000 |
|---|--------------|--------------|
| Operating profit | 13,966 | 12,164 |
| Depreciation and amortisation charges | 3,002 | 2,629 |
| Loss on sale of tangible fixed assets | 2 | 20 |
| Taxation | (1) | (1,583) |
| Decrease/(Increase) in Stocks | 624 | (1,839) |
| (Increase) in debtors | (1,979) | (4,608) |
| Increase/(decrease) in Derivatives | 80 | (1,175) |
| Increase in creditors | 6,354 | 1,301 |
| Government Grants | (79) | (13) |
| Net cash inflow from operating activities | 21,969 | 6,896 |

Notes to the financial statements

at 30 September 2019

4. Directors' remuneration

| | 2019 £000 | 2018 £000 |
|--|--------------|--------------|
| Remuneration | 451 | 347 |
| Company contributions paid to money purchase pension schemes | 23 | 19 |
| | No. | No. |
| Members of the money purchase pension schemes | 2 | 2 |

The highest paid director received remuneration of £279,000 (2018- £207,000). Company contributions paid to money purchase pension schemes with respect to this director were £14,000 (2018- £13,000) In addition, exercised share options during the year issued by the ultimate parent company and a gain of £296,000 was realised.

In the director's opinion, the costs associated with the director not based in the United Kingdom are not material and therefore no remunerations are included for their services as directors.

5. Staff costs

| | 2019 £000 | 2018 £000 |
|-------------------------------|--------------|--------------|
| Wages and salaries | 31,021 | 28,656 |
| Social security costs | 2,847 | 2,717 |
| Other pension costs (note 19) | 1,256 | 1,215 |
| | 35,124 | 32,588 |

The monthly average number of employees during the year was as follows:

| | No. | No. |
|----------------|-----|-----|
| Manufacturing | 695 | 650 |
| Administration | 157 | 176 |
| | 855 | 826 |

6. Interest Payable and similar charges

| | 2019 £000 | 2018 £000 |
|--|--------------|--------------|
| Finance charges payable under finance leases | 48 | 53 |
| | 48 | 53 |

Notes to the financial statements

at 30 September 2019

7. Interest receivable and similar income

| | 2019 £000 | 2018 £000 |
|---|--------------|--------------|
| Bank interest receivable | 47 | 27 |
| Interest receivable from group undertakings | 12 | 103 |
| | <u>59</u> | <u>130</u> |

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

| | 2019 £000 | 2018 £000 |
|--|--------------|--------------|
| Current tax: | | |
| UK Corporation Tax | 770 | 1,252 |
| Adjustments in respect of prior years | (180) | 38 |
| Total current tax | <u>590</u> | <u>1,290</u> |
| Deferred tax: | | |
| Origination and reversal of timing differences | 144 | 97 |
| Total deferred tax (note 8(c)) | <u>144</u> | <u>97</u> |
| Tax on profit on ordinary activities | <u>734</u> | <u>1,392</u> |

(b) Factors affecting current tax credit for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.00 % (2018 – 19.00 %). The differences are explained below:

| | 2019 £000 | 2018 £000 |
|--|---------------|---------------|
| Profit on ordinary activities before tax | <u>13,977</u> | <u>12,241</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%) | 2,656 | 2,326 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 96 | 114 |
| Group Relief not paid for | (1,936) | (1,202) |
| Amortisation of Goodwill | 104 | 104 |
| Rate Change | (170) | (9) |
| Adjustments to tax charge in respect of prior years | (16) | 59 |
| Total tax expense (note 8(a)) | <u>734</u> | <u>1,392</u> |

Notes to the financial statements

at 30 September 2019

8. Tax (continued)

(c) Deferred tax

| | £000 |
|---|------------|
| At 30 September 2018 | 254 |
| Charge to the profit and loss account during the year (note 8(a)) | (144) |
| At 30 September 2019 | <u>110</u> |

The elements of deferred taxation are as follows:

| | 2019 £000 | 2018 £000 |
|--|--------------|--------------|
| Differences between accumulated depreciation and amortisation and capital allowances | 69 | 234 |
| Other timing differences | 41 | 20 |
| Deferred tax asset | <u>110</u> | <u>254</u> |

9. Dividends

| | 2019 £000 | 2018 £000 |
|----------------|---------------|--------------|
| Dividends paid | <u>15,000</u> | <u>3,000</u> |

10. Intangible fixed assets

Group

| | Goodwill £000 |
|--|------------------|
| Cost: | |
| At 30 September 2018 and 30 September 2019 | <u>10,965</u> |
| Amortisation: | |
| At 30 September 2018 | 9,732 |
| Charge for the year | <u>548</u> |
| At 30 September 2019 | <u>10,280</u> |
| Net book value: | |
| At 30 September 2019 | <u>685</u> |
| At 30 September 2018 | <u>1,233</u> |

The goodwill arose on acquisition of Darchem Engineering Limited. The goodwill is amortised over a period of 20 years and the amortisation charge is included within administrative expenses in the Income Statement.

Notes to the financial statements

at 30 September 2019

11. Tangible fixed assets

| <i>Group</i> | <i>Freehold land and buildings £000</i> | <i>Short- leasehold land and buildings £000</i> | <i>Plant and machinery £000</i> | <i>Total £000</i> |
|----------------------|---|---|---|-----------------------|
| Cost: | | | | |
| At 30 September 2018 | 15,667 | 790 | 15,679 | 32,136 |
| Additions | 68 | 0 | 6,372 | 6,440 |
| Disposals | | | (39) | (39) |
| Transfers | (272) | 272 | - | - |
| At 30 September 2019 | 15,463 | 1,062 | 22,012 | 38,537 |
| Depreciation: | | | | |
| At 30 September 2018 | 2,860 | 695 | 10,594 | 14,149 |
| Charge for the year | 575 | 31 | 1,848 | 2,454 |
| Disposals | | | (35) | (35) |
| At 30 September 2019 | 3,435 | 726 | 12,407 | 16,568 |
| Net book value: | | | | |
| At 30 September 2019 | 12,028 | 336 | 9,605 | 21,969 |
| At 30 September 2018 | 12,807 | 95 | 5,085 | 17,987 |

The net book value of freehold land and buildings includes £1,943,000 (2018 - £2,247,000) in respect of a sale and leaseback of a property resulting in a finance lease. Included within Freehold land and buildings above are assets in the course of construction of Nil (2018 - £272,000) which are not depreciated.

12. Investments

| <i>Company</i> | <i>Shares in group undertakings £000</i> |
|--|--|
| Cost: | |
| At 30 September 2018 and 30 September 2019 | 25,901 |

The companies in which the group and company's interest at the year-end was more than 20%, each of which is incorporated in Great Britain, are as follows:

| <i>Subsidiary undertakings</i> | <i>Principal activity</i> | <i>Percentage of shares held Group Company</i> |
|--------------------------------|-------------------------------|--|
| Darchem Engineering Limited | Manufacturing | 100% 100% |

Notes to the financial statements

at 30 September 2019

13. Stocks

| | <i>Group</i> | | <i>Company</i> | |
|-------------------------------------|---------------|---------------|----------------|-------------|
| | <i>2019</i> | <i>2018</i> | <i>2019</i> | <i>2018</i> |
| | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> |
| Raw materials and consumables | 6,729 | 9,811 | - | - |
| Work in progress | 5,549 | 3,459 | - | - |
| Finished goods and goods for resale | 1,761 | 1,393 | - | - |
| | <u>14,039</u> | <u>14,663</u> | <u>-</u> | <u>-</u> |

During the year £21,040,000 (2018: £13,794,000) was recognised as an expense through cost of sales.

The following amounts are recorded in respect of long term contracts:

| | <i>2019</i> | <i>2018</i> |
|--|-------------|-------------|
| | <i>£000</i> | <i>£000</i> |
| Amounts recoverable on contracts included in debtors | 2,384 | 2,052 |
| Deferred revenue on contracts included in creditors | 6,193 | 909 |

14. Debtors

| | <i>Group</i> | | <i>Company</i> | |
|----------------------------------|---------------|---------------|----------------|-------------|
| | <i>2019</i> | <i>2018</i> | <i>2019</i> | <i>2018</i> |
| | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> |
| Trade debtors | 21,883 | 18,547 | - | - |
| Loans to group undertakings | - | 1,776 | - | 1 |
| Other Debtors | 263 | 203 | - | - |
| Prepayments and accrued income | 399 | 344 | - | - |
| Amounts Recoverable on contracts | 2,384 | 2,052 | - | - |
| Amounts owed from Group | 12 | 40 | - | - |
| | <u>24,941</u> | <u>22,962</u> | <u>-</u> | <u>1</u> |

15. Creditors: amounts falling due within one year

| | <i>Group</i> | | <i>Company</i> | |
|---|---------------|---------------|----------------|-------------|
| | <i>2019</i> | <i>2018</i> | <i>2019</i> | <i>2018</i> |
| | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> |
| Trade creditors | 6,211 | 4,218 | - | - |
| Amounts owed to group undertakings | 22 | 924 | 2 | - |
| Tax and social security costs | 1,669 | 1,809 | - | - |
| Derivative Financial Instruments (note 24) | 631 | 324 | - | - |
| Obligations under Finance leases and hire purchase agreements (note 20) | 258 | 252 | - | - |
| Other creditors | 284 | 311 | - | - |
| Accruals and deferred income | 7,721 | 2,292 | - | - |
| Corporation tax | 1,035 | 446 | - | - |
| | <u>17,831</u> | <u>10,576</u> | <u>2</u> | <u>-</u> |

Notes to the financial statements

at 30 September 2019

16. Creditors: amounts falling due greater than one year

| | 2019 £000 | 2018 £000 |
|---|--------------|--------------|
| Derivative Financial Instruments (note 24) | - | 227 |
| Obligations under Finance leases and hire purchase agreements (note 20) | 1,815 | 2,072 |
| Deferred Grants | 1,089 | 1,167 |
| | <u>2,904</u> | <u>3,466</u> |

The company was previously awarded a grant to implement the building of a new engineering and manufacturing facility. The grant is recognised to income over the useful economic life of the facility. During the year, £79,000 (2018 - £13,000) was credited to the Income statement.

17. Issued share capital

| | No. | 2019 £000 | No. | 2018 £000 |
|---|---------|--------------|---------|--------------|
| <i>Allotted, called up and fully paid</i> | | | | |
| Ordinary shares of £1 each | 774,941 | <u>775</u> | 774,941 | <u>775</u> |

18. Guarantees and commitments

- (a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

| | Group | | Company | |
|------------|--------------|--------------|--------------|--------------|
| | 2019 £000 | 2018 £000 | 2019 £000 | 2018 £000 |
| Contracted | <u>286</u> | <u>844</u> | - | - |

- (b) The group has underwritten the financial liability of certain employees at the year-end relating to an employee car ownership scheme amounting to £193,000 (2018 – £333,000).

19. Pensions

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £1,256,000 (2018 – £1,359,000). Contributions amounting to £244,000 (2018 – £224,000) were payable to the scheme and included in creditors.

Notes to the financial statements

at 30 September 2019

20. Obligations under leases

The company's commitments to future minimum lease payments due under finance leases are as follows:

| | 2019 £000 | 2018 £000 |
|---|--------------|--------------|
| Amounts Payable: | | |
| Within one year | 300 | 300 |
| In two to five years | 1,200 | 1,200 |
| Over 5 Years | 750 | 1,050 |
| | <u>2,250</u> | <u>2,550</u> |
| Less: finance charges allocated to future years | (177) | (178) |
| | <u>2,073</u> | <u>2,372</u> |

The group has annual commitments under non-cancellable operating leases as set out below:

| | 2019 | | 2018 | |
|--------------------------------|-------------------------------|--------------|-------------------------------|--------------|
| | <i>Land and buildings</i> | <i>Other</i> | <i>Land and buildings</i> | <i>Other</i> |
| | £000 | £000 | £000 | £000 |
| Operating leases which expire: | | | | |
| Within one year | 10 | 104 | 10 | 74 |
| In two to five years | 3 | 189 | 18 | 142 |
| Over five years | - | - | - | - |
| | <u>13</u> | <u>293</u> | <u>28</u> | <u>216</u> |

21. Related party transactions

During the year the group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 30 Sept 2019.

| | <i>Sales to related parties</i> | <i>Purchases from related parties</i> | <i>Amounts owed from related parties</i> | <i>Amounts owed to related parties</i> |
|---|---|---|--|--|
| | £000 | £000 | £000 | £000 |
| Entities with significant influence over the group: | | | | |
| 2019 | 89 | 95 | 4 | 8 |
| 2018 | 123 | - | 33 | - |

Terms and conditions of transactions with related parties

Sales and purchases between related parties are made at normal market prices. Outstanding balances with entities are unsecured, interest free and cash settlement is expected within 60 days of invoice. The group has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 30 September 2019, the group has not made any provision for doubtful debts relating to amounts owed by related parties (2018: Nil)

Notes to the financial statements

at 30 September 2019

21. Related party transactions (continued)

Group related loans

| | <i>Loan amounts owed from related parties £000</i> | <i>Loan amounts owed to related parties £000</i> |
|---|--|--|
| Entities with significant influence over the group: | | |
| 2019 | - | - |
| 2018 | 1,776 | - |

Terms and conditions of loans with related parties

Outstanding balances with entities are unsecured and repayable upon demand. The loan attracts interest at a rate of 6% pa. The group has not provided or benefited from any guarantees for any related party loans. During the year ended 30 Sept 2019, the group has not made any provision for amounts owed by related parties (2018: Nil).

Key management personnel

All Directors who have authority and responsibility for planning, directing and controlling the activities of the group are considered to be key management personnel. Total remuneration in respect of these individuals is £451,000 (2018: £347,000).

Parent Company

During the year the company did not enter into any transactions with related parties in the ordinary course of business, nor have any trading balances outstanding as at 30 Sept 2019 (2018: Nil). Loans entered into and balances outstanding as at 30 September 2019 are as follows:

| | <i>Amounts owed from £000</i> | <i>Amounts owed to £000</i> |
|---|---------------------------------------|-------------------------------------|
| Darchem Engineering Ltd 100% Subsidiary | | |
| 2019 | - | 2 |
| 2018 | 1 | - |

22. Ultimate parent undertaking and controlling party

The immediate parent company is Weston Aerospace Limited.

On the 14th March 2019, the former ultimate parent undertaking and controlling party, Esterline Technologies Corporation, was acquired by TransDigm Group Inc.

The directors consider the ultimate parent undertaking and controlling party to be TransDigm Group Inc, a company incorporated in the United States of America. This is the parent of the smallest and largest group for which financial statements are prepared and of which the company is a member. The group financial statements, which include the company, may be obtained from:

TransDigm Group Inc.
The Tower at Erieview
1301 East 9th St.
Suite 3000
Cleveland, OH 44114

Notes to the financial statements

at 30 September 2019

23. Reserves

Share premium account

The reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account

This records cumulative amount of profits and losses less and dividend distributions paid.

24. Financial Instruments

| | 2019 | 2018 |
|--|--------|--------|
| | £ | £ |
| <i>Financial assets measured at amortised cost</i> | | |
| Trade Debtors | 21,883 | 18,547 |
| Loans to group undertakings | - | 1,776 |
| Amounts Recoverable on contracts | 2,384 | 2,052 |
| Other debtors | 263 | 203 |
| Cash and bank | 14,515 | 14,224 |
| Amounts due from group undertakings | 12 | 40 |

| | 2019 | 2018 |
|---|-------|-------|
| | £ | £ |
| <i>Financial liabilities measured at amortised cost</i> | | |
| Trade Creditors | 6,211 | 4,218 |
| Amounts owed to group undertakings | 22 | 925 |
| Obligations under finance leases and hire purchase agreements | 2,073 | 2,324 |
| Accruals and other creditors | 9,674 | 4,412 |

Financial liabilities measured at fair value

| | | |
|------------------------------------|-----|-----|
| Forward foreign currency contracts | 631 | 551 |
|------------------------------------|-----|-----|

25. Events after the reporting Year

On 11th March 2020, the World Health Organisation ("WHO") announced a global pandemic in relation to the Coronavirus outbreak ("COVID-19"), which has had a significant impact on the global and UK economies. For accounting purposes, the pandemic is a non-adjusting post balance sheet event so the reporting or accounting for any impacts has not been reflected in these financial statements.

The group has seen a downturn in activities within the aerospace market but has seen a gradual improvement within the motor sport, marine defence and in particular the Nuclear markets.

Despite the downturn, the group has continued to operate production sites via adopting work environments ensuring adherence to social distancing guidelines in accordance with Government guidelines. Throughout this period, a positive EBITDA has continued to be generated; Customer credit exposure has been monitored tightly and by working closely with customers, we have been able to manage our debtor exposure effectively. In addition, the group has taken advantage of the Government furlough scheme to try to minimise the impact to employees.

Due to the uncertainties caused by Covid-19, the group is taking appropriate measures to reduce any consequences the epidemic may have on its business and earnings. At this stage, no impairment is expected to be booked in the 2020 financial statements in respect of Covid-19 and the group expects to be able to continue to operate as a going concern. There has been no financial impact on our results at 30th September 2019.