Midland Aerospace Limited

Annual Report and Financial Statements 2020

Company registration number: 04326476

CONTENTS

DIRECTORS AND ADVISORS

Directors

Timothy Pryce (appointed 7 May 2020)
Iain Geoffrey Clarkson (appointed 7 May 2020)

Registered office

Unit 4A
Castlewood Business Park
Farmwell Lane
Sutton in Ashfield
Nottinghamshire
NG17 1BX

Bankers and financial providers

Wells Fargo Capital Finance Limited
33 King William Street
London
EC4R 9AT

HSBC UK Bank Plc
Level 9
Royal Liver Building
Liverpool
L3 1HU

Solicitors

DLA Piper UK LLP
Victoria Square House
Victoria Square
Birmingham
B2 4DL

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Hardman Square
Manchester
M3 3EB

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 May 2020. The Company's registered number is 04326476, registered in England and Wales, United Kingdom.

Principal activities

The principal activity of the Company in the year under review is the manufacturing of precision machined CNC multi-axis components, fabricated and welded details and assemblies, predominantly supplied to the Aerospace sector.

Review of the year and financial performance

The Company continues to trade within the Aerospace market and saw a strong start to the financial year.
Midland continued to concentrate on satisfying its current Customers requirements with a view to developing more long-term agreements. This has proved successful and new partnerships have been forged.
The Defence sector has also been identified as a growth area for the Company and with its stable order profiles is an area that has been pursued for the immediate future
However, in the early part of 2020, the Aerospace market was severely affected by the Covid 19 pandemic. Midland Aerospace has stayed open throughout this period to service its major partners, which has been highly appreciated and has further embedded existing relationships.
No significant orders were lost during this time, but with the grounding of nearly all flights, orders were put back to the new financial year.
During this difficult time, the business has taken the opportunity to re-evaluate its position and has aligned itself with other precision engineering companies within the Group to share best practice and production methods.
This has developed and aligned the sales function to a Divisional perspective allowing Midland to offer multi-disciplinary engineering solutions and processes.

The results show that year on year revenue decreased by 28% for the year ended 31st May 2020 from £9.5m to **£6.8m**, resulting in a **£1.9m decrease in the gross profit** level and subsequent operating loss of **(£1.0m).** (2019 profit of £0.6m). The net assets of the company at 31 May 2020 amounted to £4.4m (2019 £5.3m).

Future Developments

Focusing on Defence, the Company has made significant progress with Customers to bring new work on board – offering both a cellular manufacturing option and turnkey solutions.
A rationalisation programme is also planned which is expected to make the business more competitive and able to respond to its Customers' needs more efficiently and effectively.
Despite the issues presented by the Pandemic, the Company plans to forge ahead with Investments in Equipment, Technology and Personnel to further improve efficiency and profitability. This will also allow production of more diverse products for the portfolio.

Key Performance Indicators (KPIs)

The Board uses various KPIs to monitor and benchmark the effectiveness of the Company's performance and position but the main KPI is EBITDA/Sales. For the year ended 31st May 2020 this ratio was (5.19%) (2019 13.86%). EBITDA is calculated by taking the net profit for the year and adding back net finance costs, Depreciation and Amortisation. Capital Expenditure in the year was £0.2m (2019:£0.2m) and a Research and Development tax charge of £0.1m (2019 credit of £0.1m), applied as an offset against costs, have been included in the financial statements. Gross Profit: Revenue was 9.2% (2019:26%) and Receivable days were 58 days (2019:76 days).

Principal Risks, Financial Risks and Uncertainties

COVID-19

The coronavirus (COVID-19) pandemic continues to cause some uncertainty in the markets in which the Company operates particularly the aerospace sector, the effects of the outbreak have impacted the Company's financial performance through the course of the year to 31 May 2020. The Company continues to be fully compliant with all Government guidelines in all of our operating jurisdictions to ensure the safety of our workforce which remains, as always, our primary concern.

STRATEGIC REPORT (continued)

Principal Risks and Uncertainties (continued)

Set out below are what the Board consider to be the main risks affecting the Company together with their mitigation.

Risk	Mitigation
Economic risk The Company could be susceptible to adverse changes in economic conditions and employment levels, impacting our profitability and cash flows.	The Company constantly reviews its routes to market, changes in customer demands and expectations and cost base so that it can react appropriately to the impact of the wider economy. Any adverse impact on cash flow could be mitigated in the short term by controls over capital expenditure and ongoing cost reduction programmes.
Competitive risk We operate in an increasingly competitive marketplace. Aggressive pricing from our competitors could cause a reduction in our revenues and margins.	We aim to minimise this by continuing to focus on our own strengths such as customer value, service delivery and innovation.
Price risk The Company is exposed to commodity price risk in its day to day operations.	The Company is reviewing the ability to renegotiate pricing for core commodities as the diversification into other markets takes effect as well as putting into place Long Term Agreements as volumes firm up. This approach is reviewed and endorsed by the Board.
Interest rate risk The Company finances its operations through a mixture of retained profits and borrowing facilities, including a bank loan, a Revolver credit facility, hire purchase and finance leases. All are subject to interest rate changes.	Interest rate risk on hire purchase and finance leases is managed by fixing interest at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. Interest on bank loans is managed by regular review of terms and conditions. Overall, the Board considers this risk to be minimal.
Credit risk The Company is exposed to credit–related losses in the event of default by counterparties.	Credit risk is mitigated by the Company's policy of only selecting counterparties with a strong long-term credit rating and assigning financial limits to individual counterparties. The amounts presented in the balance sheet are net of provisions for doubtful debts. An impairment provision is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.
Liquidity risk The Company may not have enough funds to finance its operations and future plans.	The Company maintains committed facilities that are designed to ensure sufficient funding for operations and planned expansions. Appropriate facilities are in place until December 2023. The Asset *Based Lending scheme means availability of funding flexes with* the movement in the working capital levels.
Health and safety risk Health and safety is our number one operational priority. We are focussed on protecting people's wellbeing, as well as avoiding serious business interruption and potential damage to our reputation.	The Company has policies, procedures and standards in place to ensure compliance with legal obligations and industry standards. All management meetings feature a health and safety update as an agenda item.
Technology risk The digital world creates many risks for businesses including technology failures, loss of confidential data and damage to brand reputation.	We seek to assess and manage the maturity of our enterprise risk and security infrastructure and our ability to defend effectively against current and future cyber risks by using analysis tools and experienced professionals to mitigate potential impacts. The Company relies on a variety of IT systems in order to manage and deliver goods and services to our customers and this investment will continue in future years further enhancement review is underway.

STRATEGIC REPORT (continued)

Principal Risks and Uncertainties (continued)

Risk	Mitigation
BREXIT	
Brexit poses a unique risk to any business, whether involved in the import or export of goods or otherwise.	The Company continues to monitor the effects of Brexit although it is still very difficult to fully predict the full economic or future impact of this risk. Our major supply chain contacts have all assessed their respective risk for supply and have put mitigation strategies in place to the best of their current knowledge of where delays could be caused. A large proportion of both our suppliers and customers are UK based so the risk is minimised to some degree in this respect. All consequent policies and procedures required to ensure compliance with legal obligations and industry standards as necessary will be adhered to.

On behalf of the Board

Iain Clarke

Director
22nd April 2021

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Company together with the audited financial statements for the year ended 31 May 2020.

Principal activities and business overview

The principal activities, business overview and future prospects of the Company are set out within the Strategic Report on page 4 to 6.

Results and dividends

The results of the Company for the financial year are set out in the Income Statement on page 10. During the year, the Company paid a dividend of £Nil (2019: £Nil) and there are no recommendations to pay a dividend for the year ended 31st May 2020.

Directors

The Directors, who served during the year, and up to the date of signing of the financial statements, were as follows:

- Eamon John Lyons (resigned 5 May 2020)
- Kevin Stewart White (resigned 5 May 2020)
- Gregory Mark Andrews (resigned 7 May 2020)
- Andrew Theodore Holt (resigned 1st August 2019)
- Iain Geoffrey Clarkson (appointed 7 May 2020)
- Timothy Pryce (appointed 7 May 2020)

None of the Directors have any material interests in contracts of the Company.

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The Company places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and team briefings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Political donations

The Company did not make any political donations (2019 £Nil) or incur any political expenditure during the year (2019 £Nil).

Principal risks and uncertainties

Details are set out in the Strategic Report on pages 4 to 6.

Going concern

The Company'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 4 to 6. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the notes to the financial statements and include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk. As the UK Government has secured a Brexit deal the Company does not consider there to be any significant risk to its operations following Brexit. The supply chain is constantly monitored, and no significant sourcing difficulties are anticipated.

As highlighted in note 13 to the financial statements, the Company meets its day-to-day working capital requirements through cash generated by its operations and a revolving asset backed facility that is committed until 31 December 2023. The Company's forecasts and projections, taking account of possible changes in trading performance, show that the Company will be able to operate within the level of its current facility.

DIRECTORS' REPORT (continued)

While the COVID-19 pandemic continues to have an impact on the company's markets, due to the critical nature of many of the applications and end markets that the Company, the Company's operations continue to perform satisfactorily and within the guidelines issued by Governments The Company took advantage of available government furlough and deferred VAT schemes.

Given the nature of the group wide funding facility and the cross company guarantees within it, the management have relied on consolidated modelling of the financial results and cashflows through to May 2024 performed by the directors of the ultimate holding company.

A detailed Group financial projection has been prepared running to 31 May 2024. This takes account of the expected impacts of COVID-19 based on experience over the last twelve months of the pandemic. The resultant cashflow projections have been measured against the new financing facility to test the ongoing compliance against capacity and covenant requirements. The consolidated headroom forecast indicates that no breach of covenant is expected in the forecast period.

The directors have also modelled the business performance based on a downgraded forecast incorporating the following 3 scenarios

- Delayed turnaround in Precision Engineering businesses.
- Metals volumes reduced to reflect a further deeper impact of COVID-19;
- Nuclear projected volumes reduced to reflect delays in award and project execution.

Allowing for the above factors the Group still has sufficient headroom to be compliant with covenants throughout the term of the current financing facility.

Based on their assessment, the directors have a reasonable expectation that the Group and therefore the Company have adequate resources to continue in operational existence for the foreseeable future.

Further details regarding the adoption of the going concern basis can be found in the Statement of Significant Accounting Policies in the financial statements.

Statement on disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent Auditors

In accordance with Section 485 of the Companies Act 2006, a resolution to reappoint the Independent Auditors, PricewaterhouseCoopers LLP, will be proposed at the Annual General Meeting.

On behalf of the Board

Iain Geoffrey Clarkson

Iain Clarkson

Director

22nd April 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and 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 international accounting standards in conformity with the requirements of the Companies Act 2006.

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 international accounting standards in conformity with the requirements of the Companies Act 2006 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

On behalf of the Board

Iain Geoffrey Clarkson

Iain Clarkson

Director

22nd April 2021

INCOME STATEMENT
For the year ended 31 May 2020

	Note	2020 £000	2019 £000
Revenue	1	6,817	9,476
Cost of sales		(6,187)	(6,967)
Gross Profit		**630**	**2,509**
Sales and distribution expenses		(343)	(409)
Administrative expenses		(1,273)	(1,503)
Operating (loss)/profit		**(986)**	**597**
Financial Income	2	205	-
Financial costs	3	(249)	(242)
Net finance costs		(44)	(242)
(Loss)/Profit before taxation	4	**(1,030)**	**355**
Tax credit	6	118	58
(Loss)/Profit for the year		**(912)**	**413**

All (losses)/profits relate to continuing operations.

The statement of significant accounting policies and notes on pages 13 to 25 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 May 2020

	2020 £000	2019 £000
(Loss)/Profit for the year	**(912)**	**413**
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Revaluation of long-term property lease asset	-	443
Tax on IFRS16 leases	(3)	(74)
Other comprehensive income for the year	-	369
Total comprehensive (expense)/ income for the year	**(915)**	**782**

The statement of significant accounting policies and notes on pages 13 to 25 are an integral part of these financial statements.

BALANCE SHEET
As at 31 May 2020

	Note	2020	2019
Assets		£000	£000
Inventories	8	445	536
Trade and other receivables	9	4,991	6,056
Cash and cash equivalents	10	184	37
Current income tax asset		34	169
Total Current Assets		**5,654**	**6,798**
Property, plant and equipment	7	2,110	2,556
Deferred income tax asset	14	207	91
Total Non-current Assets		**2,317**	**2,647**
Total Assets		**7,971**	**9,445**
Liabilities			
Trade and other payables	11	(1,120)	(1,401)
Borrowings	12	(1,249)	(1,252)
Total Current Liabilities		**(2,369)**	**(2,653)**
Borrowings	12	(1,128)	(1,415)
Provisions	15	(53)	(41)
Total Non-current Liabilities		**(1,181)**	**(1,456)**
Total Liabilities		**(3,550)**	**(4,109)**
Net assets		**4,421**	**5,336**
Equity			
Share capital	16	515	515
Retained earnings		3,906	4,821
Total equity attributable to shareholders		**4,421**	**5,336**

The statement of significant accounting policies and notes on pages 13 to 25 are an integral part of these financial statements.

The financial statements on pages 10 to 25 were approved by the Board of Directors on April 2021 and signed on its behalf by:

Iain Geoffrey Clarkson

Iain Clarkson

Director

22nd April 2021

STATEMENT OF CASH FLOWS
For the year ended 31 May 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
(Loss)/Profit before taxation	4	(1,030)	355
Adjustments for:			
Net financial costs		44	242
Depreciation	7	631	716
Gain on sale of property, plant and equipment		(2)	-
Research and development charge/(credit)		59	(122)
Net exchange differences		205	-
(Loss)/Profit from operating activities		**(93)**	**1,191**
Decrease in inventories		91	88
Decrease/(increase) in trade and other receivables		1,066	(539)
Decrease in trade and other payables		(269)	(273)
Cash generated from operations		**795**	**467**
Interest received		-	-
Interest paid		(249)	(242)
Income taxes received		74	79
Net cash generated from operating activities		**620**	**304**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(185)	(154)
Proceeds on disposal of property, plant and equipment		2	3
Net cash used in investing activities		**(183)**	**(151)**
Cash flows from financing activities			
Proceeds from borrowings	12	281	357
Repayment of borrowings	12	(571)	(645)
Net cash used in financing activities		**(290)**	**(288)**
Net increase/(decrease) in cash and cash equivalents		**147**	**(135)**
Cash and cash equivalents at the beginning of the year		37	172
Cash and cash equivalents at the end of the year	**10**	**184**	**37**

The statement of significant accounting policies and notes on pages 13 to 25 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 May 2020

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 01 June 2018	**515**	**4,039**	**4,554**
Profit for the year	-	413	413
Items that will be reclassified to profit & loss:			
Property lease revaluation		443	443
Tax on IFRS16 leases		(74)	(74)
Total comprehensive income for the year	**-**	**782**	**782**
Balance at 01 June 2019	**515**	**4,821**	**5,336**
Loss for the year	-	(912)	(912)
Other comprehensive expense for the year		(3)	(3)
Total comprehensive expense for the year	**-**	**(915)**	**(915)**
Dividends paid	-	-	-
Transactions with Shareholders recognised directly to equity	**-**	**-**	**-**
Balance at 31 May 2020	**515**	**3,906**	**4,421**

The statement of significant accounting policies and notes on pages 13 to 25 are an integral part of these financial statements.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Background

Midland Aerospace Limited is a Private Company limited by shares, incorporated and domiciled in England, the United Kingdom.

Its registered office is Unit 4A, Castlewood Business Park, Farmwell Lane, Sutton in Ashfield, Nottinghamshire, NG17 1BX, with a registered number of 04326476.

Basis of preparation

The principal accounting policies for the Company applied in the preparation of this financial report are set out below. These policies have been consistently applied to the information presented, unless otherwise stated.

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements of Midland Aerospace Limited have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The accounting policies set out below have been applied consistently to all periods presented in this report, unless otherwise stated where new policies have been applied.

Exemptions

Key Management is comprised of the Directors of the Company and their compensation is set out in Note 5. The company has taken the exemption of disclosing key management compensation from the requirements of Paragraph 17 of IAS 24, "Related party disclosures" (key management compensation), in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Going concern

The Company'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 4 to 6. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the notes to the financial statements and include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk. As the UK Government has secured a Brexit deal the Company does not consider there to be any significant risk to its operations following Brexit. The supply chain is constantly monitored, and no significant sourcing difficulties are anticipated.

As highlighted in note 13 to the financial statements, the Company meets its day-to-day working capital requirements through cash generated by its operations and a revolving asset backed facility that is committed until 31 December 2023. The Company's forecasts and projections, taking account of possible changes in trading performance, show that the Company will be able to operate within the level of its current facility.

While the COVID-19 pandemic continues to have an impact on the company's markets, due to the critical nature of many of the applications and end markets that the Company, the Company's operations continue to perform satisfactorily and within the guidelines issued by the UK Government. The Company took advantage of available government furlough and deferred VAT schemes.

Given the nature of the group wide funding facility and the cross company guarantees within it, the management have relied on consolidated modelling of the financial results and cashflows through to May 2024 performed by the directors of the ultimate holding company.

A detailed Group financial projection has been prepared running to 31 May 2024. This takes account of the expected impacts of COVID-19 based on experience over the last twelve months of the pandemic. The resultant cashflow projections have been measured against the new financing facility to test the ongoing compliance against capacity and covenant requirements. The consolidated headroom forecast indicates that no breach of covenant is expected in the forecast period.

The directors have also modelled the business performance based on a downgraded forecast incorporating the following 3 scenarios

- Delayed turnaround in Precision Engineering businesses.
- Metals volumes reduced to reflect a further deeper impact of COVID-19;
- Nuclear projected volumes reduced to reflect delays in award and project execution.

Allowing for the above factors the Company still has sufficient headroom to be compliant with covenants throughout the term of the current financing facility.

Based on their assessment, the directors have a reasonable expectation that the Group and therefore the Company have adequate resources to continue in operational existence for the foreseeable future.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

Foreign currencies

These financial statements have been prepared in the presentational currency of the Company which is Pound Sterling. Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Income Statement.

Revenue recognition

Revenue represents the fair value of consideration received or receivable for the sale of goods and services supplied in the ordinary course of the Company's activities, and is stated exclusive of VAT and similar taxes, but inclusive of discounts and rebates. Revenue is recognised in line with INCO terms 2010 or when services are provided, which is generally when goods are invoiced. The Company recognises monies received from customers as at the balance sheet date, relating to goods and services to be provided in future periods, as deferred income which forms part of trade and other receivables. Interest receivable on bank deposits and other items is not classed as revenue but included within finance income.

Dividends

Dividends to holders of equity instruments declared after the balance sheet date are not recognised as a liability as at the balance sheet date. Final dividend distributions to the Company's Shareholders are recognised in the Company's financial statements in the period in which the dividends are approved by the Company's Shareholders.

Employee benefits

For defined contribution plans, contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Inventories

Inventory is stated at the lower of cost and net realisable value. Cost includes materials, direct labour and attributable manufacturing consumable costs based on the trailing twelve months of sales. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and provision for impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

• Land & Buildings	Over the length of the lease
• Leasehold improvements	Over the length of the lease
• Plant and equipment (Leased & Owned)	20% on cost
• Fixtures, fittings & Office Equipment	20%-33% on cost
• Motor vehicles	25% on cost

No depreciation is charged on assets under construction. Residual value is calculated on prices prevailing at the date of acquisition.

Trade and other receivables

The Company applies the IFRS9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The trade receivables are grouped based on days past due.

The Company examines the historical profile of credit, the market and customers are closely monitored, along with macroeconomic factors that could impact the credit risk. The process is continuous throughout the year as part of senior management team reviews, and the Company has determined based on the historical periods that the expected credit losses should be assessed at 0%, as there are no underlying risks identified during the year or at 31 May 2020.

In the event there are circumstances that impact the receivable balances and the likely recoverability of that receivable will then be impaired based on the expected credit loss specific to that receivable. The factors assessed with counterparties are significant financial

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

difficulties, probability they will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable be impaired.

The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows of the asset, discounted, where material, at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Income Statement within 'administrative expenses' should they arise. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'operating expenses' in the Income Statement.

Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand.

Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade payables are non-interest bearing.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are classified on the Balance Sheet as either current or non-current liabilities, dependent upon the maturity date of the loan.

Taxation
Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and that are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Leases

The Company adopted IFRS16 Leases on 1 June 2018 ahead of the effective date applying the full retrospective method.

Leases are classified within the company according to Group policy, as finance, right of use, short term or low value leases.

- The lease obligation for finance leases and right of use leases is measured at the present value over the lease term, applying the effective borrowing rate of the Group. The lease term is determined by the non-cancellable period in the lease taking into account any extension or termination options. The value of the lease obligation then reduces over the life of the lease by the cash repayments, less the interest charged to the obligation and finance costs in the income statement. Lease obligations are disclosed in the borrowings note 12.

  The company recognises the right of control of the assets financed by lease and consequently capitalises them according to the relevant asset classification in property, plant and equipment see note 7. The assets are also valued at the net present value of the future cashflows, including any initial payment or deposit on commencement of the lease.

- Leases held for a short-term contract, twelve months or less, or are low in value, less than £3.2k (€3.5k according to the Group policy) are charged to the Income Statement on a straight-line basis over the lease term according to their cash payments made. The impact on the Income Statement is disclosed in the borrowings note 12. Leases commitments at the end of a financial year are disclosed in note 17 according to expiry date.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Estimates are used in the following areas:

- Income taxes

There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business, like research and development credits. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- Inventory provisions

Midland Aerospace regularly review the ageing and obsolescence of inventory. Where slow moving or obsolete inventory is identified either through the year-end review where inventory has not moved into works within 12 months or checks during the inventory counts a provision will be made, charging the income statement and reducing the value of the inventory on the balance sheet.

- Trade receivable provisions

Trade provisions are continuously reviewed throughout the year and the Company determines expected credit losses as an assessment based on historical periods. In specific circumstances that an impact to a receivable balance and the likely recoverability of that receivable is in doubt, Midland will then impair that balance based on the expected credit loss specific to that receivable.

Interpretations and amendments to published standards effective for the year ended 31 May 20

New and amended standards adopted by the Company:

- Amendment to IFRS 9, 'Financial instrument' on prepayment features with negative compensation (effective date 1 January 2019)
- Amendments to IAS 28, 'Investments in associates' on long term interests in associates and joint ventures (effective date 1 January 2019)
- Amendment to IAS 19, 'Employee Benefits' plan amendment, curtailment or settlement (effective date 1 January 2019)
- Annual improvements 2015-2017 (effective 1 January 2019)
- IFRIC 23 'Uncertainty over income tax' (effective 1 January 2019)
- IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019).

The adoption of these accounting standards did not have a material impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(1) Revenue

Revenue is generated wholly by the principle activity of the Company in the following geographical markets:

	2020				2019			
	United Kingdom	Other EU countries	Rest of World	Total	United Kingdom	Other EU countries	Rest of World	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Goods	4,565	2,145	107	**6,817**	7,347	1,748	381	**9,476**
Revenue by destination	**4,565**	**2,145**	**107**	**6,817**	**7,347**	**1,748**	**381**	**9,476**

(2) Financial income

	2020	2019
	£000	£000
Foreign exchange arising on funding balances	205	-
	205	**-**

(3) Financial costs

	2020	2019
	£000	£000
Interest payable on bank loans, overdrafts and similar	48	26
Interest payable on leases	201	216
		-
	249	**242**

(4) (Loss)/Profit before taxation

Is stated after charging/(crediting)

	2020	2019
	£000	£000
Depreciation		
- Owned	230	266
- Leased	230	265
- Right of Use	171	185
(Profit) on disposal of property, plant and equipment	(2)	-
Audit fees	19	18
Research and development tax charge/(credit)	60	(122)
Non-Recurring- administrative costs	171	-

Non-recurring administrative relate wholly to redundancy costs within the financial year.

Fees paid to PricewaterhouseCoopers LLP for non-audit services were £Nil (2019: £Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

(5) Directors and employees

	2020	2019
Employee Costs:	£000	£000
Wages and salaries	3,055	3,340
Social security costs	259	319
Other pension costs	82	75
Staff costs	**3,396**	**3,734**

	2020	2019
Average number of people employed:	Number	Number
Production	58	62
Sales and distribution	12	11
Administrative	41	44
Average monthly number employed by the Company	111	117

Directors' remuneration:	2020	2019
	£000	£000
Aggregate Directors' emoluments	314	277
Aggregate pension contributions of the Directors	16	14
	330	**291**
Emoluments of the highest paid director	105	152
Pension contributions of the highest paid director	7	8
	112	**160**

No Directors accrue benefits under defined benefit schemes (2019: £Nil).

(6) Tax credit

	2020	2019
	£000	£000
Current tax charge		
- Current year	-	19
- Adjustment in respect of prior periods	-	(2)
Current tax charge	-	**17**
Deferred tax charge		
- Current year	(200)	(36)
- Adjustments in respect of prior periods	81	(40)
- Effect of changes in tax rates	1	1
Deferred tax (credit)	**(118)**	**(75)**
Total tax credit	**(118)**	**(58)**

The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019: 19%).

The charge for the year can be reconciled to the profit per the income statement as follows:

	2020	2019
	£000	£000
Profit before taxation	(1,030)	355
Tax on profit at standard UK corporation tax rate of 19.00% (2019: 19%)	(196)	67
Effects of:		
- Expenses not deductible for tax purposes	44	62
- Adjustments in respect of prior periods	81	(42)
- Income not taxable	(35)	(4)
- Tax rate changes	1	1
- Group loss relief	-	(91)
- Non-Qualifying Asset	(13)	-
- Lease Charge	-	(51)
Total tax credit	**(118)**	**(58)**

Tax rate changes.
Changes in the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2016 (on 6 September 2016). These included reductions in the main rate to 17% from 1 April 2020. In the budget in March 2020, the Chancellor announced that the future reduction in the corporation tax rate from 19% to 17% would not be going ahead. This announcement was substantively enacted for IFRS and UK GAAP purposes on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19 percent, rather than the previously enacted reduction to 17 percent and therefore deferred taxes at the balance sheet date have now been measured at 19%.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(7) Property, plant and equipment

	Land & Buildings	Leasehold Improved	Plant & Equipment			Fixtures, fittings and Office Equipment		Motor vehicles	Assets Under Construction	Total
	Right of Use	Owned	Owned	Finance Lease	Right of Use	Owned	Right of Use	Owned	Owned	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost										
At 01 June 2018	**1,087**	**773**	**2,265**	**1,767**	**397**	**708**	**83**	**58**	**37**	**7,175**
Additions	-	1	21	-	-	76	12	20	24	154
Disposals	-	-	-	-	-	-	-	(18)	-	(18)
Reclassifications	-	-	37	-	-	-	-	-	(37)	-
Revaluations	537	-	-	-	-	-	-	-	-	537
At 01 June 2019	**1,624**	**774**	**2,323**	**1,767**	**397**	**784**	**95**	**60**	**24**	**7,848**
Additions	-	1	52	-	-	110	-	23	-	186
Disposals	-	-	(76)	-	-	(239)	-	(26)	-	(341)
Reclassifications	-	-	(247)	-	-	271	-	-	(24)	-
At 31 May 2020	**1,624**	**775**	**2,052**	**1,767**	**397**	**926**	**95**	**57**	**-**	**7,693**
Accumulated depreciation										
At 01 June 2018	**382**	**252**	**2,042**	**1,007**	**278**	**565**	**15**	**50**	**-**	**4,591**
Charge	82	50	138	265	80	69	23	9	-	716
Disposals	-	-	-	-	-	-	-	(15)	-	(15)
At 01 June 2019	**464**	**302**	**2,180**	**1,272**	**358**	**634**	**38**	**44**	**-**	**5,292**
Charge	107	51	62	231	39	107	24	10	-	631
Disposals	-	-	(76)	-	-	(238)	-	(26)	-	(340)
Reclassification	-	-	(203)	-	-	203	-	-	-	-
At 31 May 2020	**571**	**353**	**1,963**	**1,503**	**397**	**706**	**62**	**28**	**-**	**5,583**
Carrying amount										
At 31 May 2018	**705**	**521**	**223**	**760**	**119**	**143**	**68**	**8**	**37**	**2,584**
At 31 May 2019	**1,160**	**472**	**143**	**495**	**39**	**150**	**57**	**16**	**24**	**2,556**
At 31 May 2020	**1,053**	**422**	**89**	**264**	**-**	**220**	**33**	**29**	**-**	**2,110**

(8) Inventories

	2020	2019
	£000	£000
Raw and materials and consumables	289	300
Work in progress	156	213
Finished Goods	-	23
	445	**536**

	2020	2019
Provision included in inventories value:	£000	£000
At the beginning of the year	(328)	(399)
Net movement	(42)	71
At the end of the year	**(370)**	**(328)**

	2020	2019
The movement in the carrying value of inventory during the year is as follows:	£000	£000
Opening inventory	536	624
Purchases in the year	1,364	1,430
Utilised/transferred to cost of sales	(1,497)	(1,447)
Provision movement included in cost of sales	42	(71)
Closing inventory	**445**	**536**

There are no material differences between the balance sheet value of inventory and their replacement cost.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(9) Trade and other receivables

	2020	2019
	£000	£000
Trade receivables (see below)	1,077	1,972
Amounts owed by Group companies	3,784	3,985
Other tax & social security	51	-
Prepayments and accrued income	79	99
	4,991	**6,056**

	2020	2019
	£000	£000
Aging profile:		
Three months and less	896	1,893
Over three months past due	209	413
Provision (see below)	(28)	(334)
	1,077	**1,972**

Amounts owed by Group companies are to be repayable on demand and are not considered past due or impaired. Included within these amounts are balances which attract interest at a rate of 3% above Euribor.

Trade receivables which are less than three months past due are not considered impaired. Trade receivables greater than three months past due are considered for recoverability and, where appropriate, a provision against bad debts is recognised. The creation and release of a provision for impaired receivables have been included within administrative expenses within the income statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash. The maximum exposure to credit risk at the balance sheet date is the fair value of each class of receivable detailed above.

(10) Cash and cash equivalents

	2020	2019
	£000	£000
Denominated in Euro	8	-
Denominated in Sterling	173	30
Denominated in US Dollars	3	7
	184	**37**

The fair value of cash and cash equivalents approximate to their carrying amount. All balances are held with either HSBC UK (Rating A-1+) or Royal Bank of Scotland (Rating A-2) (2019: Royal Bank of Scotland (Rating A-2)).

(11) Trade and other payables

	2020	2019
	£000	£000
Trade payables	413	842
Other payables	68	107
Other taxation and social security liabilities	165	162
Accruals	474	290
	1,120	**1,401**

Amounts owed to Group companies are unsecured, interest-free and repayable on demand. The fair value of trade and other payables approximate to their carrying amount.

(12) Borrowings

a) Total Borrowings:

	2020	2019
	£000	£000
Obligations under lease agreements	1,128	1,415
Total non-current	**1,128**	**1,415**
Current		
Bank loans and overdraft	22	27
Revolver loans	940	860

NOTES TO THE FINANCIAL STATEMENTS (continued).

(12) Borrowings (continued)

Obligations under lease agreements	287	365
Total current	**1,249**	**1,252**
Total borrowings	**2,377**	**2,667**

b) Maturity of borrowings:	Bank Loans & Overdrafts	Revolver	Lease Finance (see d) below)	Total
	£000	£000	£000	£000
0-1 year	27	860	365	1,252
1-2 years	-	-	287	287
2-5 years	-	-	418	418
5 years or more	-	-	710	710
Total 2019	**27**	**860**	**1,780**	**2,667**
0-1 year	22	940	287	1,249
1-2 years	-	-	178	178
2-5 years	-	-	390	390
5 years or more	-	-	560	560
Total 2020	**22**	**940**	**1,415**	**2,377**

The bank loans and Revolver loans are secured by a fixed and floating charge over the unencumbered plant and equipment, inventories and receivables of the Company. Interest is charged at 1.75% over Libor.

c) Lease Obligations:

	Land and Buildings	Plant and machinery		Office Equip/fixture and fittings	Total
	Right of Use	Right of Use	Lease Finance	Right of Use	
	£000	£000	£000	£000	£000
At 31 May 2019	**1,188**	**40**	**496**	**56**	**1,780**
Repayments	(250)	(40)	(250)	(25)	(565)
Interest	182	-	16	2	200
At 31 May 2020	**1,120**	**-**	**262**	**33**	**1,415**
d) Maturity of lease obligations – years:					
Between:					
0-1 year	79	-	185	23	287
1-2 years	94	-	77	7	178
2-5 years	387	-	-	3	390
5 years or more	560	-	-	-	560
At 31 May 2020	**1,120**	**-**	**262**	**33**	**1,415**
e) Maturity of lease obligations – current and non-current:					
Current	68	40	234	23	365
Non-current	1,120	-	262	33	1,415
At 31 May 2019	**1,188**	**40**	**496**	**56**	**1,780**
Current	80	-	185	23	288
Non-current	1,040	-	77	10	1,127
At 31 May 2020	**1,120**	**-**	**262**	**33**	**1,415**

f) Amounts relating to right of use leases recognised in the Income Statement
Depreciation charge on right of use assets:

	2020	*2019*
	£000	£000
Land & Buildings	107	82
Plant and Machinery	40	80
Office Equipment/Fixtures and Fittings	24	23
Total depreciation in respect of leased assets	**171**	**185**
Interest included in finance costs	182	189
Expense relating to low value leases included in administration costs	3	3
Expense relating to short term leases included in administration costs	-	1
Total amounts recognised in the Income Statement	**356**	**378**

NOTES TO THE FINANCIAL STATEMENTS (continued).

(12) Borrowings (continued)

g) The Company's leasing activities and accounting thereof

Assets and liabilities arising from a lease are initially measured on a present value basis looking back to the inception of the leases. The lease liabilities include the net present value of the following lease payments:

- Fixed payments, less any lease incentives received or receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- Payment of penalties for terminating the lease, if the lease term reflects the lessee exercising that option;

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group incremental borrowing rate issued by Calder Group Holdings Limited, the Company's ultimate UK parent.

Right of use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability using the retrospective method from the date at the lease inception;
- Any lease payments made from the beginning of the lease at or before the commencement date less any lease incentive received;
- Any interest charged from the beginning of the lease to the commencement date;
- Any initial direct costs to enable the use of the asset;
- Restoration costs.

Payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in the income statement. Short term leases are leases of twelve months or less. Low value assets comprise IT equipment and small items of office equipment less than €3.5k, according to Group policy interpreted from $5k in IFRS16.

h) Variable lease payments

Where lease agreements have a formula of calculation for revaluation of that lease within the lease term, the best estimate at the inception of the lease is calculated using known factors. During the life of the lease, as revaluations are confirmed this is treated as an event which will result in a change in the valuation of the lease liability (and the underlying asset). The depreciation and interest is recognised in the Income Statement using the interest rate implicit in the revaluation or the Group's incremental borrowing rate at that point in time.

i) Extension and termination options

It is assumed at the inception of all leases in the Company that they will be completed until the end, termination of leases is not anticipated. If a lease is terminated, then the relevant accounting transactions would be recognised in the Balance Sheet or the Income Statement to remove the asset from the accounts. In some instances, extensions are available on property, plant and equipment lease. However, in all instances, the leases will be valued to the end of the lease as dated in the lease contracts. In no instances will a lease be entered into anticipating that it will be terminated early, an extension may be anticipated. At the point in time when an extension occurs, the value of the lease will be reassessed with the new contractual payments.

j) Residual value guarantee

To optimise lease cost during the contract period, the Company sometimes provides residual value guarantees in relation to equipment leases, this is particularly common with motor vehicle leases. It is expected that the residual value is estimated at the inception of the lease, but should the residual value significantly change during the lease, then the liability and asset value would be adjusted, which would also impact the depreciation and interest recognised in the Income Statement.

(13) Financial risk management

This note explains the Company's exposure to financial risks and how these risks could affect the Company's future financial performance. Current year income statement information has been included where relevant.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(13) Financial risk management (continued)

Risk	Exposure	Measurement	Management
Market risk - Credit risk	Cash and cash equivalents, trade receivables, lease commitments	Cashflow forecasting Credit control management	**Balance Sheet:** Credit limits, letters of credit
Market risk – Interest rate	Borrowings at rates linked to Euribor and Libor	Sensitivity analysis	**Income Statement:** Fixed financing contracts Management of balances giving rise to interest charges
Liquidity risk	Borrowings and other liabilities Company performance Group performance	Rolling cash flows and bank covenant calculations	**Income Statement:** KPI tracking Availability of credit card and borrowing facilities On time payments to maintain credit ratings
Capital Management	Cash drawdowns Working capital pressure Adverse credit facilities/status	Collateral funding availability Working capital days	Group finance manage globally Credit terms / ratings

The Company's transactional risk management is carried out by the local management using policies approved by Board of Directors and is overseen by the Group finance team. The method of risk management is agreed by all and the Company's local management team is responsible for executing the policies approved to limit transactional risks for the individual Company's balance sheet and income statement. The Company's borrowings are negotiated centrally. Cash flows are monitored daily by the Group finance function in order to ensure liquidity risk is minimised for all entities.

(i) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and credit exposures to trading customers, including outstanding receivables.

Credit risk is managed by local management using policies approved by the Board of Directors and is overseen by the Group finance team. If trading customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by trading customers is regularly monitored by line management.

Trade receivable balances subject to credit risk are outlined in note 9.

ii) Market risk – Interest rate

As shown in the table below, the Company is primarily exposed to changes in LIBOR interest rates.

Income Statement Management	2020	2019
	£000	£000
LIBOR	10	5
Sensitivity 1% change in interest rate	**10**	**5**

iii) Liquidity risk

The Company maintains committed facilities that are designed to ensure sufficient funding for operations and planned expansions. Appropriate facilities are in place until December 2023.

iv) Capital Management

Capital Management is managed by the Group holistically and their aims are to safeguard the ability for Group Companies to continue as a going concern; continue providing long term returns and benefits for shareholders and stakeholders respectively as well as maintaining optimal capital structuring to reduce the cost of capital. The Group adjusts the amount of dividend paid in order to maintain a healthy debt to equity ratio that supports working capital and ongoing liquidity of the Company. Group monitors capital on the following gearing ratio:

	2020	2019
	£000	£000
Net Debt (Borrowings less cash and cash equivalents)	2,193	2,630
Equity	4,421	5,336
Net Debt / Equity %	**50%**	**49%**
Current Assets excluding prepayments	5,654	6,798
Current Liabilities	(2,369)	(2,653)
Net Current Assets	**3,285**	**4,145**

NOTES TO THE FINANCIAL STATEMENTS (continued)

(14) Deferred income tax assets

	Short term timing differences £000	Total £000
At 01 June 2018	90	90
Credit to income statement	35	35
Adjustments in respect of prior periods	40	40
To other comprehensive income	(74)	(74)
At 31 May 2019	**91**	**91**
Credit to income statement	118	118
Adjustments in respect of prior periods	1	1
To other comprehensive income	(3)	(3)
At 31 May 2020	**207**	**207**

(15) Provisions

	Dilapidations £000	Total £000
At 01 June 2018	(31)	(31)
Additional provision	(10)	(10)
At 31 May 2019	(41)	(41)
Additional provision	(12)	(12)
At 31 May 2020	(53)	(53)

(16) Share capital

	2020 £000	2019 £000
Authorised		
600,000 (2019: 600,000) ordinary shares of £1 each	600	600
Allotted, called-up and fully paid		
515,000 (2019: 515,000) ordinary shares of £1 each	515	515

(17) Guarantees and other financial commitments

(a) Capital commitments

At the end of the financial year, the Company had capital commitments contracted but not provided for of £30k (2019: £31k).

(b) Group guarantees

All Group companies have given guarantees in respect of the bank and other loans taken out by certain Group companies. At 31 May 2020 the total amount for asset-based lending facilities guaranteed was €19,596k (2019: €24,566k). The equivalent in GBP for UK companies is £17,670k (2019: £21,780k)

(c) Lease commitments

The Company leases certain land and buildings on short and long-term operating leases. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Company pays all insurance, maintenance and repair costs of these properties.

At 31 May 2020, the Company had total commitments under non-cancellable short life or low value leases, that are not included in lease obligations in the balance sheet, expiring as follows,

	2020		2019	
	Land and buildings £000	Other assets £000	Land and buildings £000	Other assets £000
Expiry between:				
0-1 year	-	2	-	2
1-2 years	-	1	-	1
2-5 years	-	-	-	-
5 Years or more	-	-	-	-
Total commitments	-	3	-	3

NOTES TO THE FINANCIAL STATEMENTS (continued)

(19) Retirement benefit obligations

The Company operates a number of defined contribution pension schemes and contributes to some personal pension plans. The assets of the schemes are held separately from those of the Company in an independently administered fund. The pension cost charge disclosed in note 5 represents contributions payable by the Company to the fund.

(20) Financial instruments

IAS 32, Financial Instruments: Presentation, IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: *Disclosures, also require numerical disclosures in respect of financial assets and liabilities and these are set out below and* in notes 9, 10, 11, and 13. Financial assets and liabilities are stated at either amortised cost or fair value. Where stated at amortised cost, this is not materially different to the fair value unless otherwise stated due to their short-term nature.

	2020 £000	2019 £000
Financial assets		
Cash – HSBC UK (Rating A-1)	184	24
Cash – Royal Bank of Scotland (Rating A-2)	-	13
Trade receivables	1,077	1,972
Amounts owed by Group and parent companies	3,784	3,985
Other tax & social security	51	-
Prepayments and accrued income	79	99
	5,175	**6,093**
Financial liabilities		
Bank loans and overdrafts	22	27
Trade payables	413	842
Amounts due to Group companies	-	-
Other payables, liabilities and accruals	707	559
Revolver loans	940	860
Lease obligations	1,415	1,780
	3,497	**4,068**

(21) Related parties and controlling interests

Key Management is comprised of the Directors of the Company. The Directors regard Calder Group Limited as the immediate parent Company.

The ultimate UK Parent Company for the purposes of consolidation for the year ended 31 May 2020 is Calder Group Holdings Limited. This is both the largest and smallest group of undertakings for which financial statements are publicly available from.

The Calder Group Holdings Limited financial statements are publicly available from its registered office, Jupiter Drive, Chester West Employment Park, Chester, Cheshire, United Kingdom, CH1 4EX.

The following transactions were carried with related parties in the year:

	2020 £000	2019 £000
Transactions with other Group Companies		
Revenue from Group companies	297	-
Purchases from Group companies	(1)	-

The following balances were carried with related parties in the year:

Balances held with other Group Companies	2020 £000	2019 £000
Amounts due from Parent Company	3,771	3,973
Amounts due from Group companies	13	12

Key management comprises the Directors of the Company. Their compensation is set out in note 5.

Independent auditors' report to the members of Midland Aerospace Limited

Report on the audit of the financial statements

Opinion

In our opinion, Midland Aerospace Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2020 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 May 2020; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; the statement of significant accounting policies; and the notes to the financial statements.

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

We have nothing to report in respect of the following matters in relation to which 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 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.

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 May 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Jonathan Studholme

Jonathan Studholme (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
22 April 2021