

**Bladon Jets (UK) Limited**

**Annual Report and Financial  
Statements**

**Registered number 4479217**

**Year ended 31 December 2021**

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# Bladon Jets (UK) Limited

## Company Information

**Directors:** Mr W B Simpson (Appointed 1 January 2022)  
Mr P D Barrett (Resigned 30 November 2021)  
Mr P M Lelliott  
Mr D G Roberts

**Secretary** Mr D G Roberts

**Company number** 4479217

**Registered office** Unit 3 Spartan Close  
Warwick  
Warwickshire  
United Kingdom  
CV34 6NG

**Auditors** KPMG Audit LLC  
Heritage Court  
41 Athol Street  
Douglas  
Isle of Man  
IM1 1LA

**Bankers** Barclays Bank plc  
Victoria Street  
Douglas  
Isle of Man  
IM1 2LE

# Bladon Jets (UK) Limited

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# Bladon Jets (UK) Limited

## Directors' Report

The directors present their report and financial statements for the year 31 December 2021.

### Principal Activities and Review of the Business

The principal activity of the company is the development and commercialisation of micro gas turbines and their component technologies and applications.

### Product and Market Development

Bladon is a pioneer in the design, development and manufacturer of Micro Turbine Gensets. Bladon is the world's first manufacturer of micro turbine gensets for the telecom market. The company has developed revolutionary patented micro turbines, heat exchanger and air bearing technologies to deliver cost effective reliable power.

### Funding and Going Concern

During the year under review the company has raised £30.9 million through equity share issue with existing shareholders. A £10m convertible loan note was entered into in March 2022.

The Directors have considered the cash needs for the next 12 months and are confident that funding can be secured to enable it to continue developing and preparing the product for manufacture and to operate as a going concern, as set out in Note 2.3 to the financial statements.

### Results and dividends

The results for the year are set out on page 7.

The loss for the year drawn from reserves was £(15,629,768) (2020: £9,840,211). No dividend was paid in the current or prior year.

### Directors

The following directors have held office since 1 January 2021 and to date:

Mr W B Simpson (Appointed 1 January 2022)  
Mr P D Barrett (Resigned 30 November 2021)  
Mr P M Lelliott  
Mr D G Roberts

Directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information to establish that the company's auditor is aware of that information.

### Climate Risk

Bladon is a developing business, with a significant amount of operational change to carry out before the true impact of climate risks can be fully assessed. As a business, changes in key assumptions related to climate-related risk are not expected to result in material adjustments in the measurement of assets and liabilities in the short term, but as the business grows over the next 5 years we will continue to review the impact of climate related risks annually - the key focus areas applicable will be inventory & production processes.

### Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit LLC, being eligible, will therefore continue in office.

By Order of the board

Mr D G Roberts  
Secretary



30 September 2022

Date

Unit 3 Spartan Close  
Warwick, Warwickshire  
England, CV34 6NG

# Bladon Jets (UK) Limited

## **Statement of Directors' responsibilities in respect of the Directors' Report and the Financial Statements**

The directors are responsible for preparing the 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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

# Bladon Jets (UK) Limited

## Independent Auditor's Report to the members of Bladon Jets (UK) Limited

### Opinion

We have audited the financial statements of Bladon Jets (UK) Limited ("the company") for the year ended 31 December 2021 which comprise the Statement of Profit and Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate; and
- we have not identified and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### Fraud and breaches of laws and regulations – ability to detect

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

# Bladon Jets (UK) Limited

## Independent Auditor's Report to the members of Bladon Jets (UK) Limited (continued)

### *Identifying and responding to risks of material misstatement due to fraud (continued)*

- enquiring of management as to the Company's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, and taking into account possible incentives or pressures to misstate performance and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, and the risk that management may be in a position to make inappropriate accounting entries. We did not identify any additional fraud risks.

We performed procedures including:

- identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation.
- inspecting the relevant supporting invoices and credit notes to ensure proper revenue recognition
- reconciling revenue with debtors to ensure it matches to the closing balance in the financial statements.

### **Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations**

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence, if any, and discussed with management the policies and procedures regarding compliance with laws and regulations.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or impacts on the Company's ability to operate. We identified Companies Act as being the area most likely to have such an effect. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### **Context of the ability of the audit to detect fraud or breaches of law or regulation**

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the consolidated financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

# Bladon Jets (UK) Limited

## Independent Auditor's Report to the members of Bladon Jets (UK) Limited (continued)

### Director's Report

The directors are responsible for the Director's Report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

### Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

### Respective responsibilities

#### *Directors' responsibilities*

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's responsibilities*

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).



# Bladon Jets (UK) Limited

## **Independent Auditor's Report to the members of Bladon Jets (UK) Limited (continued)**

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**Mark Russell Kelly**  
**Senior Statutory Auditor**  
**For and on behalf of KPMG Audit LLC, Statutory Auditor**  
*Chartered Accountants*  
Heritage Court  
41 Athol Street  
Douglas  
Isle of Man  
IM1 1LA  
30/09/2022

# Bladon Jets (UK) Limited

## Statement of Profit and Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Note	2021 £	2020 £
Revenue		38,274	204,681
Cost of Sales	4	(4,142,618)	(2,715,992)
Gross loss		(4,104,344)	(2,511,311)
Other operating income	5	759,007	1,072,191
Administrative expenses	6	(13,135,785)	(11,459,651)
Operating loss		(16,481,122)	(12,898,771)
Net finance expenses	7	(82,941)	(12,018)
Net financing expense		(82,941)	(12,018)
Loss before tax		(16,564,063)	(12,910,789)
Taxation	8	934,295	3,070,578
Loss from continuing operations		(15,629,768)	(9,840,211)
Other comprehensive income		-	-
Total comprehensive loss for the year		(15,629,768)	(9,840,211)

The notes on pages 11 to 27 form part of these financial statements.

The directors consider the results to derive from continuing activities.

# Bladon Jets (UK) Limited

## Statement of Financial Position

At 31 December 2021

	Note	31 December 2021 £	31 December 2020 £
<b>Non-current assets</b>			
Property, plant and equipment	9	5,330,053	1,823,930
Right of use asset	17	7,533,305	287,943
Intangible assets	10	-	-
		<u>12,863,358</u>	<u>2,111,873</u>
<b>Current assets</b>			
Inventories		5,024,353	1,019,706
Trade and other receivables	11	1,665,943	1,876,433
Cash and cash equivalents	12	1,135,597	1,469,446
		<u>7,825,893</u>	<u>4,365,585</u>
<b>Total assets</b>		<u>20,689,251</u>	<u>6,477,458</u>
<b>Current liabilities</b>			
Other interest-bearing loans and borrowings	13	85,619,764	63,329,738
Trade and other payables	14	1,854,913	1,297,510
		<u>87,474,677</u>	<u>64,627,248</u>
<b>Non - current liabilities</b>			
Other interest-bearing loans and borrowings	13	6,958,423	-
		<u>6,958,423</u>	<u>-</u>
<b>Total liabilities</b>		<u>94,433,100</u>	<u>64,627,248</u>
<b>Net liabilities</b>		<u>(73,743,849)</u>	<u>(58,149,790)</u>
<b>Equity and reserves</b>			
Share capital	15	200	200
Share premium		79,960	79,960
Retained earnings		(73,824,009)	(58,229,950)
<b>Total equity</b>		<u>(73,743,849)</u>	<u>(58,149,790)</u>

The notes on pages 11 to 27 form part of these financial statements.

These financial statements were approved by the board of directors on and were signed on its behalf by:



**P M Lelliott**  
Director



**D G Roberts**  
Director

30 September 2022

# Bladon Jets (UK) Limited

## Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital £	Share premium £	Retained earnings £	Total Equity £
<b>Balance at 1 January 2020</b>	<b>200</b>	<b>79,960</b>	<b>(48,389,739)</b>	<b>(48,309,579)</b>
<b>Total comprehensive loss for the year</b>				
Loss for the year	-	-	(9,840,211)	(9,840,211)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(9,840,211)</b>	<b>(9,840,211)</b>
<b>Balance at 31 December 2020</b>	<b>200</b>	<b>79,960</b>	<b>(58,229,950)</b>	<b>(58,149,790)</b>
<b>Total comprehensive loss for the year</b>				
Loss for the year	-	-	(15,629,768)	(15,647,838)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(15,629,768)</b>	<b>(15,647,838)</b>
Capital Contribution Reserve	-	-	35,709	53,779
<b>Balance at 31 December 2021</b>	<b>200</b>	<b>79,960</b>	<b>(73,824,009)</b>	<b>(73,743,849)</b>

The notes on pages 11 to 27 form part of these financial statements.

# Bladon Jets (UK) Limited

## Statement of Cash Flows For year ended 31 December 2021

	<i>Note</i>	<b>2021</b> £	<b>2020</b> £
<b>Cash flows from operating activities</b>			
Loss for the year		(15,629,768)	(9,840,211)
<i>Adjustments for:</i>			
Depreciation	9	682,822	794,700
Dilapidation provision		(426,082)	-
Share based payment expense		35,709	
Profit on disposal of property, plant and equipment	5	(140,000)	-
Financing costs	7	78,404	10,904
Right of use asset amortisation	17	415,620	481,677
		<u>(14,983,295)</u>	<u>(8,552,930)</u>
 Changes in:			
Increase in inventories		(4,004,647)	(563,898)
Decrease in trade and other receivables		210,490	1,131,505
Increase/(decrease) in trade and other payables		557,403	(384,804)
		<u>(18,220,049)</u>	<u>(8,370,127)</u>
<b>Net cash used in operating activities</b>			
 <b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	9	(4,188,945)	(960,152)
Proceeds from sale of property, plant and equipment		140,000	-
		<u>(4,048,945)</u>	<u>(960,152)</u>
<b>Net cash used in investing activities</b>			
 <b>Cash flows from financing activities</b>			
Loan from parent company	19	22,131,905	10,085,480
Payment of lease liabilities		(196,760)	(295,140)
		<u>21,935,145</u>	<u>9,790,340</u>
<b>Net cash from financing activities</b>			
 Net (decrease)/increase in cash and cash equivalents		(333,849)	460,061
Cash and cash equivalents at beginning of year	12	1,469,446	1,009,385
		<u>1,135,597</u>	<u>1,469,446</u>
<b>Cash and cash equivalents at end of year</b>	12		

The notes on pages 11 to 27 form part of these financial statements.

# Bladon Jets (UK) Limited

## Notes

*(forming part of the financial statements for the year ended 31 December 2021)*

### **1 Reporting entity**

Bladon Jets (UK) Limited (the "Company") is a company incorporated and domiciled in England in accordance with the Companies Act 2006. The Company's registered office is at Unit 3 Spartan Close, Warwick, Warwickshire, CV34 6NG

### **2 Basis of Preparation**

#### **2.1 Statement of Compliance**

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

#### **2.2 Basis of Measurement**

The financial statements have been prepared on the historical cost basis.

#### **2.3 Going Concern**

The directors have considered the financial position of the Company and consider it is feasible to secure funding, therefore the Company is well placed to meet its liabilities as they fall due. The directors are confident of securing funding to enable it to continue in operational existence for the foreseeable future and at least 12 months from the date of signing these financial statements and consequently they have continued to adopt the going concern basis for preparing the financial statements.

The directors recognise that there is risk involved in the growth of the business attributed to delays to product launch, higher bill of materials, higher than anticipated warranty claims and other operational costs.

Whilst the Covid-19 global pandemic continues to be a challenge the board reviews and adjusts the group business plan to take account of the current climate and delayed production timetables but remain confident funding can be secured to continue as a going concern. The major shareholder entered into a £10m convertible loan note in March 2022.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through securing funding, to meet its liabilities as they fall due for that period.

During the year the group raised £30.9 million through an equity share issue with existing shareholders. The directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The parent company has given an undertaking not to call in any indebtedness due to it until such time that all other liabilities have been met.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

# Bladon Jets (UK) Limited

## Notes (Continued)

*(forming part of the financial statements for the year ended 31 December 2021)*

### **3 Significant accounting policies**

#### **3.1 Foreign currency**

The financial statements are presented in sterling, which is also the Company's functional currency. Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

#### **3.2 Estimations and uncertainty**

In applying the Company's accounting policies, the directors are required to make judgements and estimates that affect the financial statements. The most significant areas of estimation are considered to be the treatment of research and development costs as either a capitalised asset or an expense (see note 3.10) and the treatment of leases under IFRS 16 (see note 17).

#### **3.3 Non-derivative financial instruments**

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

##### *Trade and other receivables*

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

##### *Trade and other payables and loans and borrowings*

Trade and other payables and loans and borrowings are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits subject to an insignificant risk of change in fair value which are used by the company in the management of short-term commitments. Cash and cash equivalents are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

#### **3.4 Intangible assets**

##### *Research and development*

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends, has the technical ability and has sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

##### *Other intangible assets*

Non-current assets which incorporate both tangible and intangible elements are assessed to determine whether they should be classed as an intangible asset or as property, plant and equipment. The treatment is determined by an assessment of which element is more significant.

Two Gamma units of the Generator prototype have been capitalised on basis of costs incurred to acquire and bring the units to prototype position. The units were capitalised as at 30 June 2016 and are being amortised forward over their estimated useful lives of three years. Amortisation is charged to revenue costs in the statement of comprehensive income on a straight-line basis.

# Bladon Jets (UK) Limited

## Notes (Continued)

*(forming part of the financial statements for the year ended 31 December 2021)*

### 3 Significant accounting policies (continued)

#### 3.4 Intangible assets (continued)

As at 31 December 2021, both units have been fully amortised.

#### 3.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the standard costing method and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

#### 3.6 Impairment excluding inventories

##### *Financial assets (including receivables)*

The company measures loss allowances at an amount equal to lifetime expected credit losses (ECLs), except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

##### *12-month expected credit losses*

12-month expected credit losses are calculated by multiplying the probability of a default occurring in the next 12 months with the total (lifetime) expected credit losses that would result from that default, regardless of when those losses occur. Therefore, 12-month expected credit losses represent a financial asset's lifetime expected credit losses that are expected to arise from default events that are possible within the 12 month period following origination of an asset, or from each reporting date for those assets in initial recognition stage.

##### *Lifetime expected credit losses*

Lifetime expected credit losses are the present value of expected credit losses that arise if a borrower defaults on its obligation at any point throughout the term of a lender's financial asset (that is, all possible default events during the term of the financial asset are included in the analysis). Lifetime expected credit losses are calculated based on a weighted average of expected credit losses, with the weightings being based on the respective probabilities of default.

#### 3.7 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

#### 3.8 Revenue and other operating income

Turnover represents amounts receivable from the sale of goods, and provision of services, and is recorded net of VAT and trade discounts.

All turnover generated in the year represents amounts receivable on bespoke highly technical grant project assignments for various bodies in the United Kingdom. Revenue is recognised when the company completes the work in accordance with the contracts.

Other operating income represents grant compensation for expenses incurred and are recognised in profit or loss on a systematic basis as described in note 3.11.



# Bladon Jets (UK) Limited

## Notes (continued)

*(forming part of the financial statements for the year ended 31 December 2021)*

### 3 Significant accounting policies (continued)

#### 3.9 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and impairment. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Leasehold improvements	20% straight line basis
Workshop and tooling equipment	10%, 20% and 50% straight line basis
Office furniture and equipment	50% straight line basis
Computer equipment	50% straight line basis
Specialised workshop equipment	20% straight line basis

No depreciation is provided on assets under construction. Assets under construction are carried at cost, less any recognised impairment loss. Depreciation on assets under construction commences when the assets are ready for their intended use.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. At the end of each accounting period, all fixed assets are reviewed for indicators of impairment. When impairments are identified, the write-down is recognised within profit and loss.

Gains and losses on disposal of a fixed asset item are recognised within profit and loss.

#### 3.10 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the Company is expected to benefit.

#### 3.11 Government grants

Grants are recognised on receipt and are credited to deferred revenue. Grants towards capital expenditure are released to the income statement over the expected useful life of the assets. Grants towards revenue expenditure are released to the income statement as the related expenditure is incurred.

#### 3.12 Expenses

##### *Administration expenses*

Administration expenses are recognised as they accrue.

##### *Finance lease payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

##### *Financing income and expenses*

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method and the unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

#### 3.13 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

# Bladon Jets (UK) Limited

## Notes (continued)

*(forming part of the financial statements for the year ended 31 December 2021)*

### 3 Significant accounting policies (continued)

#### 3.13 Taxation (continued)

##### i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Tax rebates received are included within the taxation balance in the period they are received.

##### ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred assets and liabilities are offset only if certain criteria are met.

#### 3.14 Retirement Benefits

Payments to defined contribution benefit schemes are charged as an expense as they fall due.

#### 3.15 Employee Benefits

The cost of short-term benefits is recognised as a liability and an expense unless those costs are required to be recognised as part of the cost of stocks or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination payments are recognised immediately as an expense when the company is demonstrably committed to terminate the employment or to provide termination benefits.

#### 3.16 Share capital, share premium and reserves

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. Equity instruments are recorded at the proceeds received, net of direct issue cost.

#### 3.17 Leases

At inception of a contract, the company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### *As a lessee*

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at costs, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

# Bladon Jets (UK) Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 December 2021)

### 3 Significant accounting policies (continued)

#### 3.17 Leases (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

#### Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### 3.18 New standards and interpretations not adopted

The following IFRSs have been issued but have not been applied by the company in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

Standards issued but not yet effective	Effective Date (accounting periods commencing on or after)
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 2022
2022 Annual Improvements to IFRS Standards 2018 - 2020	January 2022
Property, Plant and Equipment: Proceeds before Intended use (Amendments to IAS 16)	January 2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets	January 2022
Classification of liabilities as current or non-current (Amendments to IAS 1)	January 2023

# Bladon Jets (UK) Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 December 2021)

### 4 Cost of Sales

Cost of Sales in the Income Statement includes all of the costs and expenses directly related to the production of the Micro Turbine Gensets "MTG". These predominantly include the standard cost of the MTG, warranty & service costs and any movements in respect of inventory.

The most substantial inventory movements include the calculation of Net Realisable Value provision which is recorded to reflect inventory being sold at a lower value than currently held in the Balance Sheet. This ensures inventory is not overstated.

In addition, during 2021 the Company relocated to a new facility & as a result there was a significant write off of inventory in the year which is also reflected in cost of sales.

### 5 Other operating income

	2021 £	2020 £
Coronavirus Job Retention Scheme grant	3,724	850,121
Sundry Income	21,905	100
Profit on disposal of tangible assets	140,000	-
Dilapidation provision release	488,077	-
Innovate UK (TAB)	-	(20,344)
Innovate UK (HiComp2)	96,358	201,886
Innovate UK (COAST)	8,943	40,428
	<u>759,007</u>	<u>1,072,191</u>

Income grants received in the year or comparative period are as follows:

Coronavirus Job Retention Scheme	UK Government Grant paying up to 80% of furloughed staff salaries and for a certain period employer NI and pension contributions. In accordance with published guidelines to assist companies retaining their staff during the global covid-19 pandemic
Regional Growth Fund	Project to provide assistance to undertake specialist research required to develop micro gas turbine and automotive range extender products.
Innovate UK (TAB)	Turbocharger Air Bearings (TAB). A consortium of Bladon Jets, Cummins Turbo Technologies and the University of Huddersfield will further the design and development of air bearings to deliver oil-free turbochargers. The amount disclosed relates to an overprovision in prior years.
Innovate UK (HiComp2)	High Performance Electric Compressor (HiComp2). A consortium of Bladon Jets, Equipmake, Hieta and the University of Bath will under this project to develop a novel high speed twin turbine compressor utilising state of the art developments in the field of turbo machinery and power electronics producing a more efficient, significantly lighter and lower cost compressor. The product will act as an enabler to accelerate the adoption of zero emission commercial vehicles.
Innovate UK (COAST)	Critical Oil and Air System Technologies (COAST). A Rolls Royce led project which seeks to develop a novel method of providing air to the cabin of a passenger aircraft using single stage energy conversion which will incorporate oil-free air bearing technologies.
Dilapidation provision release	Following the factory move in the year, the provision for dilapidation costs was reviewed and adjusted accordingly.

There are conditions where the Company could be required to repay grant monies. However, the grant claims are subject to regular reviews and audits which confirm the Company is complying with its obligations and meeting its milestone

## Bladon Jets (UK) Limited

targets and project deliverables. The Company does not foresee any circumstances where those condition clauses would be invoked and therefore no provision or contingent liability is required to be disclosed.

### 6 Administrative expenses

*Included in profit/loss are the following charges / (credits):*

	2021 £	2020 £
Director's remuneration	362,548	253,800
Auditor's remuneration		
- Audit services	12,324	13,460
- Non Audit services	-	1,200
Depreciation	682,822	794,700
Operating lease rentals	325,760	331,640
Right of use asset amortisation	415,620	481,677
Research and development expenditure	4,806,072	3,733,818
Loss on currency exchange	41,306	4,850
	<u>          </u>	<u>          </u>

### 7 Finance expense

	2021 £	2020 £
Right of use assets lease interest charges	78,404	10,904
Dilapidation interest charges	4,537	-
HMRC interest on delayed payments	-	1,114
	<u>          </u>	<u>          </u>
Total finance expense	82,941	12,018
	<u>          </u>	<u>          </u>

### 8 Taxation

No UK corporation tax is payable due to the availability of taxable losses.

The company has made a claim and received £934,295 (2020: £3,070,578) in the year relating to Research and Development tax relief claimed from HM Revenue and Customs in respect of the Company's research and development activities during the financial period ended 31 December 2020.

A Research and Development tax relief claim for the year ended 31 December 2021 will be made shortly after the 2021 accounts are formally adopted and any income receipt will be accounted for in the year ended 31 December 2022.

# Bladon Jets (UK) Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 December 2021)

### 9 Property, plant and equipment

	Leasehold Improvement £	Assets under construction £	Workshop equipment £	Office furniture and equipment £	Computer equipment and software £	Total £
<b>Cost</b>						
Balance at 1 January 2020	797,929	138,591	2,166,804	79,174	598,089	3,780,587
Additions	-	960,152	-	-	-	960,152
Disposals	-	-	-	-	-	-
Transfers	-	(467,930)	441,561	-	26,369	-
<b>Balance at 31 December 2020</b>	<b>797,929</b>	<b>630,813</b>	<b>2,608,365</b>	<b>79,174</b>	<b>624,458</b>	<b>4,740,739</b>
<b>Balance at 1 January 2021</b>	<b>797,929</b>	<b>630,813</b>	<b>2,608,365</b>	<b>79,174</b>	<b>624,458</b>	<b>4,740,739</b>
Additions	2,247,938	437,083	1,269,415	-	234,509	4,188,945
Disposals	-	-	(355,546)	-	-	(355,546)
Transfers	-	(583,773)	583,773	-	-	-
<b>Balance at 31 December 2021</b>	<b>3,045,867</b>	<b>484,123</b>	<b>4,106,007</b>	<b>79,174</b>	<b>858,967</b>	<b>8,574,138</b>
<b>Depreciation</b>						
Balance at 1 January 2020	311,112	-	1,272,723	49,771	489,375	2,122,981
Depreciation charge for the year	159,562	-	516,646	21,462	96,747	794,417
Disposals	-	-	-	-	-	-
<b>Balance at 31 December 2020</b>	<b>470,674</b>	<b>-</b>	<b>1,789,369</b>	<b>71,233</b>	<b>586,122</b>	<b>2,917,398</b>
<b>Balance at 1 January 2021</b>	<b>470,674</b>	<b>-</b>	<b>1,789,369</b>	<b>71,233</b>	<b>586,122</b>	<b>2,917,398</b>
Depreciation charge for the year	162,208	-	372,182	7,941	140,209	682,540
Disposals	-	-	(355,546)	-	-	(355,546)
<b>Balance at 31 December 2021</b>	<b>632,882</b>	<b>-</b>	<b>1,806,005</b>	<b>79,174</b>	<b>726,331</b>	<b>3,244,392</b>
<b>At 31 December 2020</b>	<b>327,255</b>	<b>630,813</b>	<b>818,996</b>	<b>7,941</b>	<b>38,336</b>	<b>1,823,341</b>
<b>At 31 December 2021</b>	<b>2,412,985</b>	<b>484,123</b>	<b>2,300,002</b>	<b>-</b>	<b>132,636</b>	<b>5,329,746</b>

# Bladon Jets (UK) Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 December 2021)

### 9 Property, plant and equipment (continued)

#### Specialised workshop equipment

	2021 £	2020 £
Balance at 1 January	589	872
Disposals	-	-
Depreciation charge for the year	(282)	(283)
<b>Balance at 31 December</b>	<b>307</b>	<b>589</b>

### 10 Intangible assets

#### Gamma Units

	2021 £	2020 £
Balance at 1 January	13,674	13,674
Amortisation	(13,674)	(13,674)
<b>Balance at 31 December</b>	<b>-</b>	<b>-</b>

Two Gamma Units were capitalised at 30 June 2016 having been completed just prior to the 2016 year end. Amortisation of the units commenced during the year ended 30 June 2017. As at 31 December 2021 both units have been fully amortised.

### 11 Trade and other receivables

	2021 £	2020 £
Trade receivables	37,569	89,200
Grants receivable	17,120	183,125
Value added tax	1,187,997	264,954
Other debtors	302,166	1,136,444
Prepayments	121,091	202,710
<b></b>	<b>1,665,943</b>	<b>1,876,433</b>

### 12 Cash and cash equivalents

	2021 £	2020 £
Cash held at bank and in hand	1,135,597	1,469,446

Included in cash at bank is a deposit account amounting to £586,330 held as a guarantee for one year's lease liability. There are no terms over the deposit account.

# Bladon Jets (UK) Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 December 2021)

### 13 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's exposure to interest rate and foreign currency risk, see note 16.

	2021 £	2020 £
<b>Non-current liabilities</b>		
Lease liability	6,958,423	-
	<u>6,958,423</u>	<u>-</u>
<b>Current liabilities</b>		
Amounts due to group companies	85,266,412	63,134,507
Lease liability	353,352	195,231
	<u>85,619,764</u>	<u>63,329,738</u>

#### Terms and debt repayment schedule

	Nominal interest rate	Year of maturity	Carrying amount 31 December 2021 £	Carrying amount 31 December 2020 £
Lease liability	3.22%	2041	<u>7,311,775</u>	<u>195,231</u>

Amounts due to group companies bear interest at 0% and are repayable on demand. The parent company has given an undertaking not to call in its loan until such time all other liabilities are met.

### 14 Trade and other payables

	2021 £	2020 £
<b>Current</b>		
Trade payables	622,855	109,257
Non-trade payables and accrued expenses	1,232,058	1,188,253
	<u>1,854,913</u>	<u>1,297,510</u>

### 15 Share capital

	2021 £	2020 £
<b>Authorised</b>		
200 Ordinary shares of £1 each	<u>200</u>	<u>200</u>
<b>Allotted, called up and fully paid</b>		
200 Ordinary shares of £1 each	<u>200</u>	<u>200</u>



# Bladon Jets (UK) Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 December 2021)

### 16 Financial instruments

#### 16.1 Fair value of financial instruments

The carrying value of short-term financial assets and financial liabilities (cash, debtors and creditors) approximate their fair value.

The fair values of all financial assets and financial liabilities by class, together with their carrying amounts shown in the statement of financial position, are as follows:

	Carrying amount 31 December 2021 £	Fair value 31 December 2021 £	Carrying amount 31 December 2020 £	Fair value 31 December 2020 £
<b>Financial assets measured at amortised cost</b>				
Cash and cash equivalents (note 12)	1,135,597	1,135,597	1,469,446	1,469,446
Trade and other receivables (note 11)	356,855	356,855	1,341,111	1,341,111
<b>Total financial assets</b>	<b>1,492,452</b>	<b>1,492,452</b>	<b>2,810,557</b>	<b>2,810,557</b>
<b>Financial liabilities measured at amortised cost</b>				
Other interest-bearing loans and borrowings (note 13)	92,578,187	92,578,187	63,329,738	63,329,738
Trade and other payables (note 14)	1,486,184	1,486,184	1,027,894	1,027,894
<b>Total financial liabilities</b>	<b>94,064,371</b>	<b>94,064,371</b>	<b>64,357,632</b>	<b>64,357,632</b>

#### Financial risk management

The Company's operations expose it to a variety of financial risks including credit risk, currency risk, interest rate risk and liquidity risk. The Company's overall risk management policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Company's financial performance and net assets.

The principal financial risks of the Company and how the Company manages these risks are discussed below.

#### 16.2 Credit risk

The Company's principal credit risks are attributable to its cash and cash equivalents, trade receivables.

Trade receivables are presented in the statement of financial position net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis using credit checks.

At the reporting date there were no significant concentrations of third party credit risk, with exposure limited to one customer. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the statement of financial position. The Company does not require collateral in respect of financial assets.

# Bladon Jets (UK) Limited

## Notes (continued)

(forming part of the financial statements for the period ended 31 December 2021)

### 16 Financial instruments (continued)

#### 16.2 Credit risk (continued)

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and investment securities.

The Company manages its exposure to credit risk by only placing its financial assets with reputable financial institutions with strong credit ratings.

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at 31 December 2021 was £1,492,452 (2020: £2,810,557) being the total of the carrying amount of cash and cash equivalents, trade and other receivables.

In accordance with IFRS 7 'Financial Instruments: Disclosures', the following disclosures have been made regarding the trade receivable balances.

	Carrying amount £	Not overdue on the reporting dates £	Less than 90 days £	Between 90 to 180 days £
Trade receivables as at 31 December 2021	37,569	37,569	-	-
Trade receivables as at 31 December 2020	89,200	89,200	-	-

#### 16.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet its obligations. The Company aims to maintain appropriate liquidity through the daily monitoring of its actual and projected cash position.

The following are the contractual maturities of financial liabilities, including estimated interest payments (all cash flows are undiscounted).

31 December 2021	Carrying amount £	1 year or less £	1 to < 2 years £	2 to < 5 years £	5 years and over £
<b>Non-derivative financial liabilities</b>					
Trade and other payables	1,486,184	1,486,184	-	-	-
Lease liabilities	9,922,470	122,152	488,608	2,476,711	6,834,999
Due to group companies	85,266,412	85,266,412	-	-	-
	<u>96,675,066</u>	<u>86,874,748</u>	<u>488,608</u>	<u>2,476,711</u>	<u>6,834,999</u>
<b>31 December 2020</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables	1,027,894	1,027,894	-	-	-
Due to group companies	63,134,507	63,134,507	-	-	-
Lease liabilities	195,231	195,231	-	-	-
	<u>64,357,632</u>	<u>64,357,632</u>	<u>-</u>	<u>-</u>	<u>-</u>

# Bladon Jets (UK) Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 December 2021)

### 16 Financial instruments (continued)

#### 16.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments.

The Company incurs foreign currency risk on purchases that are denominated in currency other than sterling. However, the Company's exposure to currencies other than sterling is not considered to be material.

The Company's exposure to the risk of changes in market interest rates relates primarily to foreign exchange rates.

#### Market risk – interest rate risk

At the balance sheet date, the interest rate profile of the Company's interest-bearing financial instruments was:

	31 December 2021 £	31 December 2020 £
<b>Variable rate financial instruments</b>		
Financial assets	1,135,597	1,469,446
<b>Fixed rate financial instruments</b>		
Financial liabilities	-	-
	<u>1,135,597</u>	<u>1,469,446</u>

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instruments at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps.

Any change in base point interest rates will have no effect on the balance sheet as all financial liabilities have fixed interest terms or there is no interest rate exposure.

### 17 Leases as a lessee (IFRS 16)

The Company leases a manufacturing, research and development facility in Leamington Spa.

The Company leases IT equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Company is a lessee is presented below.

#### i. Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property plant and equipment.

	2021 £	2020 £
Balance at 1 January 2020	287,943	769,620
Additions to right-of-use assets	7,660,982	-
Depreciation charge for the year	(415,620)	(481,677)
Balance at 31 December 2021	<u>7,533,305</u>	<u>287,943</u>

The Company has recognised £78,404 (2020: 11,450) as interest on lease liabilities in profit or loss under IFRS 16. During the year ended 31 December 2021, £325,760 (2020: 331,640) was recognised as a rental and service charge expense by the Company. Total cash outflows for leases amounting to £196,760 (2020: £295,140) have been recognised in the statement of cash flows.

# Bladon Jets (UK) Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 December 2021)

### 18. Employee benefits

#### Share-based payments

##### A. Description of share-based payment arrangements

Option schemes that have been entered into in prior years and are still in force at year end are detailed below:

	Bladon Jets Holdings Ltd Unapproved Share Option Schemes
Dates of grant	November 2008 March 2010 September 2012 November 2016 December 2018 May 2019
Number granted	2,879,379
Number of employees	141
Average exercise price of shares	£1.20

During the year ended 31 December 2021, new option allocations were made. No options were exercised.

##### Principal terms and conditions:

The number of share options available for allocation is governed by shareholder approvals as contained in the Articles of Association of the Company. Allocations are subject to the recommendation of the Company Remuneration Committee. All options have a 10 year life from date of grant, other than 780,000 share options governed by the Unapproved Share Option Scheme 2008. Following a shareholder approval, the life of these options has been extended by a further 10 years. The options governed by the Enterprise Management Incentive Schemes are exercisable for one year following a sale or listing, or immediately prior to expiry, on condition that the holder has not left the Group. Subsequent to an increase in shareholdings by an existing shareholder all Enterprise Management Incentive Scheme holdings became unapproved share options.

##### B. Measurement of fair values

The cost of equity settled transactions with certain Directors of the Company and other participants ("Participants") is measured by reference to the fair value at the date on which they are granted. The fair value is determined based on the Black-Scholes option pricing model.

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payments granted during the year are as follows:

	31 December 2021
Fair value at grant date	£0.24 / 0.16
Weighted average share price	£1
Exercise price	£0.50 / £1
Weight average expected volatility	21.8%
Weighted average expected life	10 years
Expected dividends	0%
Risk-free interest rate	1.0%
Marketability discount	80%

# Bladon Jets (UK) Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 December 2021)

No early exercise is expected in view of the contractual restrictions on exercise. Expected volatility was based on the historical volatility observed in the share prices of comparable guideline public companies. The options have no market conditions attached to them. No share options were granted in 2020.

### C. Reconciliation of outstanding share options

	<i>Number of options 2021</i>	<i>Weighted average exercise price 2021</i>	<i>Number of options 2020</i>	<i>Weighted average exercise price 2020</i>
Outstanding at 1 January	2,575,354	£1.73	2,592,654	£1.27
Granted during the year	424,150	£1.00	-	-
Forfeited during the year	(120,125)	£0.58	(17,300)	£1.27
Expired during the year	-	-	-	-
Outstanding at 31 December	2,879,379	£1.26	2,575,354	£1.27
Exercisable at 31 December	-	-	-	-

### D. Share options outstanding

The options outstanding at the end of the year had the following exercise prices and weighted-average remaining contractual lives.

<i>Exercise price</i>	<i>Number of options outstanding 2021</i>	<i>Weighted average remaining contractual life 2021</i>	<i>Number of options outstanding 2020</i>	<i>Weighted average remaining contractual life 2020</i>
£0.50	980,000	4.9 years	980,000	3.4 years
£1.00-£1.50	1,164,107	4.4 years	943,282	2.4 years
£2.00-£2.20	735,232	5.7 years	652,072	6.7 years
<b>Total</b>	<b>2,879,379</b>	<b>5.0 years</b>	<b>2,575,354</b>	<b>4.2 years</b>

### E. Expense recognised in profit or loss

The amount expensed in the income statement has been calculated by reference to the grant date at a fair value of the equity instrument and the estimated number of equity instruments to be issued after the vesting period. As such, an expense amounting to £ 35,709 has been recorded in relation to the granting of these options during the current year.

## 19 Commitments

At the statement of financial position date, the Company had entered into contracts to purchase plant, computer equipment and software amounting to £410,473 (2020: £1,053,763).

# Bladon Jets (UK) Limited

## 20 Related parties

The ultimate controlling party is Bladon Jets Holdings Ltd.

### Related party transactions – company

	Receivables outstanding		Payables outstanding	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	£	£	£	£
Bladon Jets Holdings Ltd, parent company	-	-	85,266,412	63,134,507
	-	-	85,266,412	63,134,507

The Company entered into the following transactions with related parties:

	31 December 2021 £	31 December 2020 £
<b>Bladon Jets Holdings Ltd (parent company)</b>		
Management charge from Bladon Jets Holdings Ltd	480,000	389,000
Expenses paid by Bladon Jets Holdings Ltd	-	16,278
Rent	26,000	26,000
Loans received	23,595,000	11,550,000
Loans repaid	1,944,907	1,895,798
Expenses paid by Bladon Jets (UK) Limited	24,188	-

## 21 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was 114 (2020: 118). Staff are not categorised.

The aggregate payroll costs of these persons were as follows:

	31 December 2021 £	31 December 2020 £
Wages and salaries	6,589,741	6,064,858
Bonuses	203,500	1,500
Social security costs	744,808	732,936
Pension contributions	188,757	180,662
	<u>7,726,806</u>	<u>6,979,956</u>