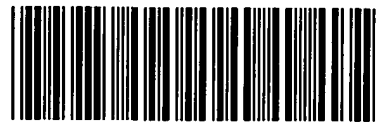

CERTO AEROSPACE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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COMPANIES HOUSE

CERTO AEROSPACE LIMITED

COMPANY INFORMATION

| | |
|---------------------|--|
| Directors | B M Collins S O'Brien J Tate N Fothergill (appointed 30 May 2023) J Tooth (appointed 30 May 2023) |
| Company secretary | C McClean |
| Registered number | 06599124 |
| Registered office | C1/C2 Southgate Commerce Park Frome England BA11 2RY |
| Independent auditor | CLA Evelyn Partners Limited Chartered Accountants & Statutory Auditors Portwall Place Portwall Lane Bristol BS1 6NA |

CERTO AEROSPACE LIMITED

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CERTO AEROSPACE LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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

Directors

The directors who served during the year were:

B M Collins
S O'Brien
J Tate

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

In May 2023, £1,085,318 included in other creditors was converted to equity following the formal issuance of shares in the company.

During August 2023, the company received more than £920,000 of capital contributions which it has transferred to its subsidiary to maintain current operations. These were converted and shares issued in August 2023.

Auditor

The auditor, CLA Evelyn Partners Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies' note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 20th September 2023 and signed on its behalf.

DocuSigned by:

Seamus O'Brien

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Director

Seamus O'Brien

9/20/2023

CERTO AEROSPACE LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CERTO AEROSPACE LIMITED

Opinion

We have audited the financial statements of Certo Aerospace Limited (the 'company') for the year ended 31 December 2022 which comprise the Statement of Income and Retained Earnings, the Balance Sheet and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

CERTO AEROSPACE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CERTO AEROSPACE LIMITED (CONTINUED)

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

CERTO AEROSPACE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CERTO AEROSPACE LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

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

We obtained a general understanding of the Company's legal and regulatory framework through enquiry of management concerning: their understanding of relevant laws and regulations; the entity's policies and procedures regarding compliance; and how they identify, evaluate and account for litigation claims. We also drew on our existing understanding of the Company's industry and regulation.

We understand that the Company complies with the framework through:

- Outsourcing accounts preparation and tax compliance to external experts.
- Subscribing to relevant updates from external experts, and making changes to internal procedures and controls as necessary
- The directors' close involvement in the day-to-day running of the business, meaning that any litigation or claims would come to their attention directly.

In the context of the audit, we considered those laws and regulations: which determine the form and content of the financial statements; which are central to the Company's ability to conduct its business; and where failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the Company:

- The Companies Act 2006 and FRS 102 in respect of the preparation and presentation of the financial statements

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. The areas identified in this discussion were:

- Bad debt provision, as this is an estimates made by management.
- Manipulation of the financial statements, especially revenue, via fraudulent journal entries, particularly as the size of the Company means that there is little opportunity for segregation of duties.

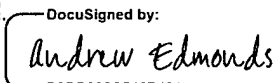
A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

CERTO AEROSPACE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CERTO AEROSPACE LIMITED (CONTINUED)

Use of our report

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

DocuSigned by:

D3DD398C540B484
Andrew Edmonds

CLA Evelyn Partners Limited

Chartered Accountants
Statutory Auditors

Portwall Place
Portwall Lane
Bristol
BS1 6NA
Date: 9/21/2023

CERTO AEROSPACE LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2022

| | Note | 2022 £ | 2021 £ |
|---|------|--------------------|--------------------|
| Administrative expenses | | (99,518) | (64,456) |
| Operating loss | | <u>(99,518)</u> | <u>(64,456)</u> |
| Loss after tax | | <u>(99,518)</u> | <u>(64,456)</u> |
| Retained earnings at the beginning of the year | | (1,607,723) | (1,543,267) |
| Loss for the year | | (99,518) | (64,456) |
| Retained earnings at the end of the year | | <u>(1,707,241)</u> | <u>(1,607,723)</u> |
| The notes on pages 9 to 14 form part of these financial statements. | | | |

CERTO AEROSPACE LIMITED
REGISTERED NUMBER:06599124

BALANCE SHEET
AS AT 31 DECEMBER 2022

| | Note | 2022 £ | 2021 £ |
|--|------|--------------------|--------------------|
| Fixed assets | | | |
| Intangible fixed assets | | 66,561 | 66,804 |
| Tangible assets | 5 | 14,105 | 22,166 |
| Fixed asset investments | | 499 | 499 |
| | | <u>81,165</u> | <u>89,469</u> |
| Current assets | | | |
| Debtors: amounts falling due within one year | 7 | 40,404 | 15,387 |
| Bank and cash balances | | 59 | 143 |
| | | <u>40,463</u> | <u>15,530</u> |
| Creditors: amounts falling due within one year | 8 | (1,778,509) | (1,662,362) |
| Net current liabilities | | <u>(1,738,046)</u> | <u>(1,646,832)</u> |
| Total assets less current liabilities | | <u>(1,656,881)</u> | <u>(1,557,363)</u> |
| Net liabilities | | <u>(1,656,881)</u> | <u>(1,557,363)</u> |
| Capital and reserves | | | |
| Called up share capital | | 50,360 | 50,360 |
| Retained earnings | | (1,707,241) | (1,607,723) |
| | | <u>(1,656,881)</u> | <u>(1,557,363)</u> |

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

DocuSigned by:

Seamus O'Brien

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Director
Seamus O'Brien

9/20/2023

The notes on pages 9 to 14 form part of these financial statements.

CERTO AEROSPACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

Certo Aerospace Limited is a private company, limited by shares, domiciled and incorporated in England and Wales (registered number: 06599124). The registered office address is C1/C2 Southgate Commerce Park, Frome, England, BA11 2RY.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

2.2 Exemption from preparing consolidated financial statements

The Company, and the Group headed by it, qualify as small as set out in section 383 of the Companies Act 2006 and the parent and Group are considered eligible for the exemption to prepare consolidated accounts.

2.3 Going concern

Whilst the direct impact of COVID-19 pandemic has abated its legacy of damaged supply lines, impeded developmental progress and delayed customer contractual decision making continues to impact Certo in 2022. Our main customers, US Department of Defense (US DoD) & UK Ministry of Defence (MOD) continue their interest in developing and procuring automated Vertical Take Off and Landing (VTOL) Uncrewed Air Systems (UAS). Indeed, the war on Ukraine has served to focus minds on future technical capability, as well as the ever-present desire to evolve battlespace strategy, reduce costs and minimise risk to life wherever possible.

US DoD

Certo has previously held a multi-year contract with US DoD (via a required SME contracting local firm called Survice Engineering Company). This has generated funding as recently as 2023 and further contracts are expected into 2024 and beyond. US DoD has several armed forces and commands which are actively pursuing the aims described above, including US Navy and US Marine Corps, CENTCOM and ArmyDev.

UK MOD

Certo has retained its status as a member of the MOD's UAV Heavy Lift Challenge (HLC) Framework. This has generated funding in 2023 and is anticipated to generate more into 2024. HLC has been funded to £90m thus far and is a five-year opportunity likely to be extended.

Summary

These contracts with US DoD and MOD, though expected with good reason, cannot ever be considered as certainties until the many complex constituent processes of tendering, evaluation and contracting are successfully completed. The directors have therefore also prepared forecasts excluding these contracts which demonstrate that the company has adequate resources to continue in operational existence for the foreseeable future, which is considered to be at least twelve months from the date of the approval of these financial statements. For these reasons, they continue to adopt the going concern basis of accounting in preparing the financial statements and therefore the financial statements do not include any adjustments that would result if the group was unable to continue as a going concern.

CERTO AEROSPACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Income and Retained Earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Intangible assets

Patents are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated to write off the cost of the patents in equal annual installments over their useful life of 20 years.

2.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

CERTO AEROSPACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.7 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings and office - 3 years straight-line
equipment

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.10 Financial instruments

Financial assets and financial liabilities are recognised in the Balance Sheet when the Company becomes a part to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the Company's cash management.

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments

CERTO AEROSPACE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.10 Financial instruments (continued)

issued by the Company are recorded at the proceeds received, net of direct issue costs.

2.11 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

3. Employees

The average monthly number of employees, including directors, during the year was 0 (2021 -0).

4. Intangible assets

| | Patents £ |
|-------------------------------------|----------------------|
| Cost | |
| At 1 January 2022 | 109,466 |
| Additions | 5,402 |
| At 31 December 2022 | <u>114,868</u> |
| Amortisation | |
| At 1 January 2022 | 42,662 |
| Charge for the year on owned assets | 5,645 |
| At 31 December 2022 | <u>48,307</u> |
| Net book value | |
| At 31 December 2022 | <u><u>66,561</u></u> |
| At 31 December 2021 | <u><u>66,804</u></u> |

CERTO AEROSPACE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

5. Tangible fixed assets

| | Fixtures & fittings and office equipment £ |
|-------------------------------------|--|
| Cost or valuation | |
| At 1 January 2022 | 24,594 |
| At 31 December 2022 | <u>24,594</u> |
| Depreciation | |
| At 1 January 2022 | 2,428 |
| Charge for the year on owned assets | 8,061 |
| At 31 December 2022 | <u>10,489</u> |
| Net book value | |
| At 31 December 2022 | <u><u>14,105</u></u> |
| <i>At 31 December 2021</i> | <u><u>22,166</u></u> |

6. Fixed asset investments

| | Investments in subsidiary companies £ |
|--------------------------|--|
| Cost or valuation | |
| At 1 January 2022 | 499 |
| At 31 December 2022 | <u><u>499</u></u> |

7. Debtors

| | 2022 £ | 2021 £ |
|---------------|-----------|-----------|
| Other debtors | 39,450 | 13,479 |

CERTO AEROSPACE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

7. Debtors (continued)

| | | |
|----------------------------------|---------------|---------------|
| Called up share capital not paid | 954 | 1,908 |
| | <u>40,404</u> | <u>15,387</u> |

8. Creditors: Amounts falling due within one year

| | 2022 £ | 2021 £ |
|---|------------------|------------------|
| Other loans | 50,293 | 102,500 |
| Trade creditors | 40,161 | 18,110 |
| Amounts owed to group undertakings | 556,504 | 1,482,816 |
| Obligations under finance lease and hire purchase contracts | 14,105 | 22,166 |
| Other creditors | 1,106,169 | 24,737 |
| Accruals and deferred income | 11,277 | 12,033 |
| | <u>1,778,509</u> | <u>1,662,362</u> |

9. Related party transactions

The Company has taken advantage of the exemption in FRS 102 Section 33.1A to not disclose transaction with wholly owned group entities.

The Company had one (2021: two) interest free loan from a director during the year. The balance owed to the director is included in Other Creditors and at the year-end were £20,851 (2021: 20,851) and £Nil (2021: £3,886).

At the year end £50,293 (2021: £102,500) was payable from companies with common directors.

10. Post balance sheet events

in May 2023, £1,085,318 included in other creditors was converted to equity following the formal issuance of shares in the company.

During August 2023, the company received more than £920,000 of capital contributions which it has transferred to its subsidiary to maintain current operations. These were converted and shares issued in August 2023.

11. Controlling party

The directors do not consider there to be an ultimate controlling party.