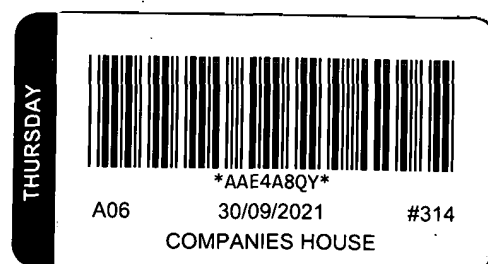


BROMFORD MIDCO LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**



BROMFORD MIDCO LIMITED

COMPANY INFORMATION

Directors

K M Vicha
J M Christie-Smith

Registration number

11262280

Registered office

Pegasus House
1 Bromford Gate
Erdington
Birmingham
B24 8DW

Independent auditors

PricewaterhouseCoopers LLP
One Chamberlain Square
Birmingham
B3 3AX

BROMFORD MIDCO LIMITED

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**BROMFORD MIDCO LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

Business review

The principal activity of the Company is a holding company for Bromford Group Limited.

The Company made a loss of £3,000 during the year ended 30 September 2020 (year ended 30 September 2019: loss of £521,000).

The entity will continue to act as a holding company.

Principal risks and uncertainties

The directors consider the only risk to the company to be in respect of its investment in its subsidiaries. The directors monitor this closely and are confident that its investments are recoverable.

Financial key performance indicators

As the Company's principal activity is that of a holding company, KPI's linked to its trading performance are not applicable. The Company had net assets of £26,000,000 (2019 - £26,003,000) at the year end.

Employees

The Company had no employees during the period.

This report was approved by the board and signed on its behalf.



J M Christie-Smith
Director
Date: 30 September 2021

**BROMFORD MIDCO LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

The directors present their report and the financial statements for the year ended 30 September 2020.

Results and dividends

The loss for the year, after taxation, amounted to £3,000 (2019 - loss £521,000).

The directors do not recommend the payment of a final dividend or interim dividend (2019: £NIL).

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements, unless otherwise indicated, were:

K M Vicha – appointed 30 June 2021
J M Christie-Smith – appointed 22 May 2020
G J Lowe – resigned 30 June 2021
M J Stock – resigned 29 June 2020
T J Swales – resigned 20 May 2020

Political and charitable contributions

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

Going concern

The Company is part of the Bromford Intermediate Holdings Limited Group (Bromford Group). The Bromford Group made a loss of \$25,610,000 (2019: \$24,191,000) for the year ended 30 September 2020, had net current assets of \$39,238,000 (2019: \$8,973,000) and cash of \$6,147,000 (2019: \$3,010,000) as at 30 September 2020.

The Bromford Group has external borrowings with Citizens Bank and Stellus Capital Investment Corporation, for which the Company is party to a cross guarantee with the borrowing entities. The Bromford Group had external debt of \$123,209,000 as at 30 September 2020 and in March 2021, the Bromford Group's bankers amended the terms of the debt agreement to provide an additional loan of \$1,250,000, as well as making availability a \$3,750,000 credit facility. As part of this, the Bromford Group's majority shareholder provided \$15,000,000 of equity and the Bromford Group's bankers amended covenant terms to provide relief from net leverage testing until the reporting period ending 31 December 2022, eliminates EBITDA testing until the reporting period ending 30 June 2022 and imposes a minimum liquidity requirement.

In light of the outbreak of the Coronavirus pandemic and impact on the aviation industry, the directors of the Bromford Group have performed sensitivity analyses on their Board approved forecasts to assess the potential impact of different scenarios. The Board approved forecasts demonstrate sufficient cash headroom and compliance with all covenants for the period to 31 December 2022. However, based on various sensitivity analyses over that period of the potential impact of the Coronavirus pandemic on the aviation industry and the resulting underperformance of the Bromford Group against its forecasts, there is a risk that revenue, EBITDA and cash may not be in line with the sensitised Board approved forecasts such that the covenant tests from 30 June 2022 may not be adhered to. Breach of the covenant tests would require continued support from the Bromford Group's bankers or, as allowed within the lending agreements, the injection of additional equity or mezzanine loan facilities from the shareholders. This support is not certain to be made available and there is uncertainty as the consequence of the breach on the Company as cross guarantor. If the Company is sold or liquidated in order to satisfy the cross guarantee this gives rise to uncertainty over the Company's continued existence as their holding company. As the breaches have not yet occurred, and may not occur, there have been no discussions with either the bankers or the shareholders, meaning that the provision of appropriate support to allow the group to continue as a going concern is not certain to be made available.

**BROMFORD MIDCO LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

Going concern (continued)

After due consideration of the matters set out above, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the consequence on the Company as a cross guarantor of the potential impact of market conditions on the ability of the group to meet its covenant tests represents a material uncertainty that may cast significant doubt on the Bromford Group and Company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. These financial statements do not contain any adjustment that would arise if the financial statements were not drawn up on a going concern basis.

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



J M Christie-Smith
Director
Date: 30 September 2021

BROMFORD MIDCO LIMITED
DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2020

The directors are responsible for preparing the Annual 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law 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 and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

**BROMFORD MIDCO LIMITED
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BROMFORD MIDCO LIMITED**

Report on the audit of the financial statements

Opinion

In our opinion, Bromford Midco Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 30 September 2020; the statement of comprehensive income, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty relating to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern.

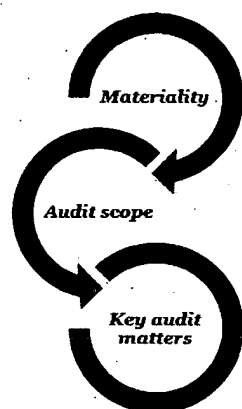
The Company is part of the Bromford Industries Group. The terms of the Group's external debt agreements, for which the Company's subsidiaries are party to a cross guarantee with the borrowing entities, require the Group to comply each year with a minimum liquidity requirement, and a quarterly EBITDA covenant test from 30 June 2022. Because of the uncertainty of the potential impact of the Coronavirus pandemic on the aviation industry, there is a risk that revenue, EBITDA and cash may not be in line with the sensitised Board approved forecasts such that the covenant tests from 30 June 2022 may not be adhered to. Breach of the covenant tests would require continued support from the Group's bankers or, as allowed within the lending agreements, the injection of additional equity or mezzanine loan facilities from the shareholders. This support is not certain to be made available, and there is uncertainty as to the consequence of the breach on the subsidiaries as cross guarantors. If the subsidiaries are sold or liquidated in order to satisfy the cross guarantee this gives rise to uncertainty over the Company's continued existence as their holding company.

These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

**BROMFORD MIDCO LIMITED
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BROMFORD MIDCO LIMITED**

Our audit approach

Overview



Overall materiality: £309,000 (2019: £220,000), based on 1% of total assets.

Material balances including interest payable, investments and external loans balances were included in our scope.

Cost of investment carrying value

Impact of COVID-19

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

| Key audit matter | How our audit addressed the key audit matter |
|---|--|
| <p><i>Cost of investment carrying value</i></p> <p>The company holds investments of £30,867,000 which represents its investment in the group via the intermediate holding company Bromford Group Limited (please see Note 9: Investments and the Investment accounting policy in the financial statements).</p> <p>Given the ongoing impacts from the COVID-19 pandemic on the aerospace industry and a continued competitive market, there is considered to be an impairment risk.</p> | <p>We have obtained and understood management's impairment trigger assessment, covering the company investment balance.</p> <ul style="list-style-type: none"> We have challenged management's assessment by performing the following procedures: <ul style="list-style-type: none"> We understood management's processes and methodology in performing its impairment trigger; and We held discussions with management and the board to understand their view of the market. We performed detailed testing to verify key inputs of the review including: <ul style="list-style-type: none"> Validation of data to management accounts; and Validation of gross profit and EBITDA to management accounts. We have performed a review of the budgets to identify justification for future growth in FY21, including: |

**BROMFORD MIDCO LIMITED
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BROMFORD MIDCO LIMITED**

| Key audit matter | How our audit addressed the key audit matter |
|-------------------------|---|
| | <ul style="list-style-type: none"> Comparison of FY21 budget to FY20 actuals to identify any reductions in performance; Validation of budget data to the director approved budget; and Lookback assessment of FY20 budget to actuals to assess management's ability to accurately forecast. <p>From our work performed we are satisfied that whilst there has been an impact of COVID-19 on the aviation industry, there are no triggers to suggest a full impairment review is required, and that the carrying value of investments is materially accurate.</p> |

Impact of COVID-19

The COVID-19 pandemic has had a significant impact on the company and wider economy from March 2020 onwards. The company is part of the Bromford Intermediate Holdings Limited Group which has minimum liquidity requirements in respect of external debt agreements and a quarterly EBITDA test from 30 June 2022. A material uncertainty in respect of going concern has been disclosed extensively within the Directors Report and going concern accounting policy.

Procedures performed and conclusions reached in respect of going concern are detailed within the "Material uncertainty relating to going concern" section above.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

This is a single legal entity, with no significant trading operations. The company holds external debt, including loan notes listed on the Cayman Islands Stock Exchange. Interest payable is recognised on external debt in line with the legal agreements. Our scoping consisted of auditing material balances within the legal entity, including interest payable, external loan balances and investments.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|--|--|
| Overall materiality | £309,000 (2019: £220,000). |
| How we determined it | 1% of total assets. |
| Rationale for benchmark applied | We believe that total assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark. |

We agreed with the directors that we would report to them misstatements identified during our audit above £15,000 (2019: £11,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

**BROMFORD MIDCO LIMITED
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BROMFORD MIDCO LIMITED**

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

**BROMFORD MIDCO LIMITED
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BROMFORD MIDCO LIMITED**

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Matt Palmer

Matt Palmer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
September 2021

BROMFORD MIDCO LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

| | Note | 2020 £000 | 2019 £000 |
|---------------------------------------|-------------|----------------------|----------------------|
| Administrative expenses | 4 | <u>(3)</u> | <u>-</u> |
| Operating loss | | (3) | - |
| Interest payable and similar expenses | 8 | <u>-</u> | <u>(521)</u> |
| Loss before taxation | | (3) | (521) |
| Tax on loss | 9 | <u>-</u> | <u>-</u> |
| Loss for the financial year | | <u><u>(3)</u></u> | <u><u>(521)</u></u> |

There were no recognized gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2020 (2019: £NIL).

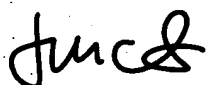
The notes on pages 13 to 22 form part of these financial statements.

BROMFORD MIDCO LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020**

| | Note | 2020 £000 | 2019 £000 |
|---|------|-----------------|-----------------|
| Fixed assets | | | |
| Investments | 10 | <u>30,867</u> | <u>30,867</u> |
| | | 30,867 | 30,867 |
| Total assets less current liabilities | | 30,867 | 30,867 |
| Creditors: amounts falling due after more than one year | 11 | <u>(4,867)</u> | <u>(4,864)</u> |
| Net assets | | <u>26,000</u> | <u>26,003</u> |
| Capital and reserves | | | |
| Called up share capital | 15 | 27,000 | 27,000 |
| Share premium accounts | | 18,189 | 18,189 |
| Profit and loss accounts | | <u>(19,189)</u> | <u>(19,186)</u> |
| Total equity | | <u>26,000</u> | <u>26,003</u> |

The financial statements on page 10 to 20 were approved and authorised for issue by the board and were signed on its behalf by:



J M Christie-Smith
Director
Bromford Midco Limited (registered number 11262280)
Date: 30 September 2021

The notes on pages 13 to 22 form part of these financial statements.

BROMFORD MIDCO LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2020

| | Called up share capital £000 | Share premium account £000 | Profit and loss account £000 | Total equity £000 |
|--|---|---|---|----------------------------------|
| At 1 October 2018 | 27,000 | 9,172 | (18,665) | 17,507 |
| Comprehensive expense for the year | | | | |
| Loss for the year | - | - | (521) | (521) |
| Total comprehensive expense for the year | - | - | (521) | (521) |
| Shares issued during the year | - | 9,017 | - | 9,017 |
| Total transactions with owners | - | 9,017 | - | 9,017 |
| At 30 September 2019 | 27,000 | 18,189 | (19,186) | 26,003 |
| Comprehensive expense for the year | | | | |
| Loss for the year | - | - | (3) | (3) |
| Total comprehensive expense for the year | - | - | (3) | (3) |
| At 30 September 2020 | <u>27,000</u> | <u>18,189</u> | <u>(19,189)</u> | <u>26,000</u> |

The notes on pages 13 to 22 form part of these financial statements.

BROMFORD MIDCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

1. General information

Bromford Midco Limited (the "Company") is a private company incorporated and domiciled in England in the UK, private company limited by shares registered under the Companies Act 2006. The registered office is Pegasus House, 1 Bromford Gate, Erdington, Birmingham B24 8DW. Refer to the Strategic report for the principal activities.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The financial statements are presented in Sterling (£). All amounts in the financial statements have been rounded to the nearest £1,000.

The following principal accounting policies have been consistently applied to all of the years presented, unless otherwise stated:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Bromford Intermediate Holdco (UK) Limited as at 30 September 2020 and these financial statements may be obtained from companies house.

2.3 Exemption from preparing consolidated financial statements

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

BROMFORD MIDCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. Accounting policies (continued)

2.4 Going concern

The Company is part of the Bromford Intermediate Holdings Limited Group (Bromford Group). The Bromford Group made a loss of \$25,610,000 (2019: \$24,191,000) for the year ended 30 September 2020, had net current assets of \$39,238,000 (2019: \$8,973,000) and cash of \$6,147,000 (2019: \$3,010,000) as at 30 September 2020.

The Bromford Group has external borrowings with Citizens Bank and Stellus Capital Investment Corporation, for which the Company is party to a cross guarantee with the borrowing entities. The Bromford Group had external debt of \$123,209,000 as at 30 September 2020 and in March 2021, the Bromford Group's bankers amended the terms of the debt agreement to provide an additional loan of \$1,250,000, as well as making availability a \$3,750,000 credit facility. As part of this, the Bromford Group's majority shareholder provided \$15,000,000 of equity and the Bromford Group's bankers amended covenant terms to provide relief from net leverage testing until the reporting period ending 31 December 2022, eliminates EBITDA testing until the reporting period ending 30 June 2022 and imposes a minimum liquidity requirement.

In light of the outbreak of the Coronavirus pandemic and impact on the aviation industry, the directors of the Bromford Group have performed sensitivity analyses on their Board approved forecasts to assess the potential impact of different scenarios. The Board approved forecasts demonstrate sufficient cash headroom and compliance with all covenants for the period to 31 December 2022. However, based on various sensitivity analyses over that period of the potential impact of the Coronavirus pandemic on the aviation industry and the resulting underperformance of the Bromford Group against its forecasts, there is a risk that revenue, EBITDA and cash may not be in line with the sensitised Board approved forecasts such that the covenant tests from 30 June 2022 may not be adhered to. Breach of the covenant tests would require continued support from the Bromford Group's bankers or, as allowed within the lending agreements, the injection of additional equity or mezzanine loan facilities from the shareholders. This support is not certain to be made available and there is uncertainty as the consequence of the breach on the Company as cross guarantor. If the Company is sold or liquidated in order to satisfy the cross guarantee this gives rise to uncertainty over the Company's continued existence as their holding company. As the breaches have not yet occurred, and may not occur, there have been no discussions with either the bankers or the shareholders, meaning that the provision of appropriate support to allow the group to continue as a going concern is not certain to be made available.

After due consideration of the matters set out above, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the consequence on the Company as a cross guarantor of the potential impact of market conditions on the ability of the group to meet its covenant tests represents a material uncertainty that may cast significant doubt on the Bromford Group and Company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. These financial statements do not contain any adjustment that would arise if the financial statements were not drawn up on a going concern basis.

2.5 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognized as a reduction in the proceeds of the associated capital instrument.

2.6 Borrowing costs

All borrowing costs are recognized in the Statement of comprehensive income in the year in which they are incurred.

BROMFORD MIDCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. Accounting policies (continued)

2.7 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Transactions in foreign currencies are translated to the Company's functional currency at the 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. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of transaction. Foreign exchange differences arising on translation are recognized in the profit and loss account.

2.8 Taxation

Tax is recognized in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognized as other comprehensive income or to an item recognized directly in equity is also recognized 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 reporting date in the countries where the Company operates and generates income.

2.9 Exceptional items

The Company classifies certain one-off charges or credits that have a material impact on the Company's financial results as exceptional items. These are disclosed separately to provide further understanding of the financial performance of the Company.

2.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognized in the profit and loss.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortized cost using the effective interest method.

BROMFORD MIDCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. Accounting policies (continued)

2.12 Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortized cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortized cost.

Financial assets that are measured at cost and amortized cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognized in the Statement of comprehensive income.

For financial assets measured at amortized cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

BROMFORD MIDCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements required the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of asset and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods impacted.

The key judgements and estimates employed in the financial statements are considered below.

Recoverability of investments

Annually, the group considers whether investments are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the investment. This requires estimation of the future cash flows from the investment and also selection of appropriate discount rates in order to calculate the net present value of those cash flows. The recoverable amount of the investments is a source of significant estimation uncertainty and determining this involved the use of significant assumptions.

4. Administrative expenses

| | 2020 £000 | 2019 £000 |
|--------------|--------------|--------------|
| Trustee fees | <u>3</u> | <u>-</u> |

5. Auditors' remuneration

| | 2020 £000 | 2019 £000 |
|--|--------------|--------------|
| Fees payable to the Company's auditors and their associates for the audit of the Company's annual financial statements | <u>5</u> | <u>5</u> |

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group financial statements of the parent Company.

The auditors' remuneration is borne by Bromford Industries Limited, a fellow subsidiary of Bromford Intermediate Holdco (UK) Limited.

6. Employees

The Company has no employees other than the directors. The directors are remunerated for their services to the wider Bromford Group as a whole, rather than for their services as directors of the Company. No amounts are paid, or recharged/rechargeable to the Company for the services of those directors.

BROMFORD MIDCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

7. Directors' remuneration

The Directors did not receive any remuneration through Bromford Midco Limited for services provided to the Company during the year (2019 – £NIL).

During the year the Directors were remunerated through Bromford Industries Limited, a fellow group company for which the Directors are common statutory directors.

8. Interest payable and similar expenses

| | 2020 £000 | 2019 £000 |
|---|--------------|--------------|
| Currency translation on listed loan notes | (210) | 248 |
| Interest on the listed loan notes | 210 | 273 |
| | <u>-</u> | <u>521</u> |

9. Tax on loss

| | 2020 £000 | 2019 £000 |
|--------------------|--------------|--------------|
| Total current tax | <u>-</u> | <u>-</u> |
| Total deferred tax | <u>-</u> | <u>-</u> |
| Taxation on loss | <u>-</u> | <u>-</u> |

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

| | 2020 £000 | 2019 £000 |
|--|--------------|--------------|
| Loss before tax | <u>(3)</u> | <u>(521)</u> |
| Loss before tax multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%) | (1) | (99) |
| Expenses not deductible for tax purposes | <u>1</u> | <u>99</u> |
| Total tax charge for the year/period | <u>-</u> | <u>-</u> |

Factors that may affect future tax charges

On March 3, 2021, plans were announced to increase in the UK corporation tax rate from 19% to 25% effective April 1, 2023. This will increase the company's future current tax charge accordingly.

BROMFORD MIDCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

10. Investments

| | Investment in subsidiary companies £000 |
|--|--|
| Cost or valuation At 1 October 2019 | 49,069 |
| At 30 September 2020 | 49,069 |
| Impairment At 1 October 2019 | 18,202 |
| At 30 September 2020 | 18,202 |
| Net book value 30 September 2020 | 30,867 |
| Net book value 30 September 2019 | 30,867 |

No impairment loss was recognised on investments during the year (2019: NIL).

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

| Name | Registered office | Class of shares | Nature of business | Holding |
|--|----------------------|--------------------|-----------------------|---------|
| Bromford Group Limited | England | Ordinary | Holding company | 100% |
| Bromford Industries Limited* | England | Ordinary | Manufacturing | 100% |
| Bromford Technologies Leicester Limited* | England** | Ordinary | Holding company | 100% |
| AeroCision Asia LLC* | USA | Ordinary | Manufacturing | 100% |
| AeroCision Aerocomp India Private Limited* | India | Ordinary | Holding company | 50% |
| Accrofab Limited* | England | Ordinary | Manufacturing | 100% |

*These undertakings are held indirectly.

**The accounting date for Bromford Technologies Leicester Limited is 31 March. It differs from the others in the group due to it being an acquired company which was made dormant immediately following its acquisition.

The registered office of all entities incorporated in England is: Pegasus House, 1 Bromford, Erdington, Birmingham B24 8DW.

The registered office of all entities incorporated in the USA is: 12 Inspiration Ln, Chester, CT 06412, USA.

The registered office of all entities incorporated in India is: 143-A1, Bommasandra Industrial Area, Bommasandra, Bengaluru, Karnataka 560099, India.

BROMFORD MIDCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

11. Creditors: Amount falling due after more than one year

| | 2020 | 2019 |
|------------------------------------|--------------|--------------|
| | £000 | £000 |
| Listed loan notes | 4,864 | 4,864 |
| Amounts owed to group undertakings | 3 | - |
| | <u>4,867</u> | <u>4,864</u> |

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment.

12. Loans

Analysis of the maturity of loans is given below:

| | 2020 | 2019 |
|-------------------------------|--------------|--------------|
| | £000 | £000 |
| Amounts falling due 2-5 years | | |
| Listed loan notes | <u>4,864</u> | <u>4,864</u> |

Term and debt repayment schedule

| Currency | Nominal interest rate | Year of maturity | Repayment schedule | 30 September 2020 £000 |
|-----------------|------------------------------|-------------------------|---------------------------|-----------------------------------|
| USD | LIBOR +4% | 2025 | At term end | 4,864 |

13. Financial instruments

| | 2020 | 2019 |
|--|--------------|--------------|
| | £000 | £000 |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | <u>4,867</u> | <u>4,864</u> |

Financial liabilities measured at amortized cost comprise listed loan notes and amounts owed to group undertakings.

BROMFORD MIDCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

14. Contingencies

Bromford Midco Limited, Bromford Group Limited and Bromford Industries Limited are parties to the group's banking arrangements, whereby each of these companies guarantee the borrowings of the other. Bromford Industries Limited had outstanding bank loans £31,943,000 at 30 September 2020 (2019 - £16,475,000).

15. Called up share capital

| | 2020 £000 | 2019 £000 |
|--|---------------|---------------|
| Allotted, called up and fully paid 27,000,004 (2019 27,000,004) Ordinary shares of £1.00 each | <u>27,000</u> | <u>27,000</u> |

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The directors do not recommend the payment of a final dividend or interim dividend (2019: £NIL).

16. Related party transactions

The Company has applied the exemptions available under paragraph 33.11 of FRS 102 not to disclose transactions with fellow wholly owned subsidiaries.

17. Post balance sheet events

On March 29, 2021, the Group's bankers issued the Third Amendment and Waiver to the First and Second Lien Credit Agreements (the Third Amendment). Under the terms of the Third Amendment:

- Liberty Hall Capital Partners and existing shareholders invest £11,606,000 of equity with proceeds going to fund cash to the balance sheet and/or pay down the outstanding balance of the Revolving Credit Facility.
- An incremental £967,000 Second Tier Term Loan under the same terms as the existing Second Tier Term Loan has been provided.
- A Covenant Relief Period has been established covering the period March 29, 2021 to December 31, 2022 which establishes a minimum liquidity requirement, eliminates net leverage testing until the reporting period ending December 31, 2022 and eliminates EBITDA testing until the reporting period ending June 30, 2022.

The Company is a party to cross guarantee of the First and Second Lien Credit Agreements.

**BROMFORD MIDCO LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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18. Controlling party

The Company is a subsidiary undertaking of Bromford Holdings LP, the ultimate parent. Indirectly, the Company is owned by Liberty Hall Capital Partners Fund I, L.P., and other investing parties managed by Liberty Hall Capital Partners Fund I GP, Ltd., the ultimate controlling party of which is Rowan G.P. Taylor.

The largest group in which the results of the Company are consolidated is that headed by Bromford Intermediate Holdings Limited, incorporated in the Cayman Islands. The registered office of Bromford Intermediate Holdings Limited is PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

The smallest group in which they are consolidated is that headed by Bromford Intermediate Holdco (UK) Limited, incorporated in the United Kingdom. The consolidated financial statements are available to the public and may be obtained from Pegasus House, 1 Bromford Gate, Erdington, Birmingham, B24 8DW.