

Brookhouse Aerospace Limited

Registered number: 01898700

Annual report and financial statements

For the 15 month period ended 31 March 2021

BROOKHOUSE AEROSPACE LIMITED

COMPANY INFORMATION

Directors	C J Morris M P Rossiter K I Worth (appointed 1 June 2021) Nord Aerospace Bidco Limited
Registered number	01898700
Registered office	India Mill Darwen Lancashire BB3 1AD
Independent auditors	Mazars LLP Chartered Accountants & Statutory Auditor One St. Peter's Square Manchester M2 3DE

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**STRATEGIC REPORT
FOR THE PERIOD ENDED 31 MARCH 2021**

Introduction

The directors present their Strategic Report on the Company for the period ended 31 March 2021 following the extension of the financial period from 31 December 2020.

Principal Activities

The principal activities of the Company are the manufacture and repair of composite components and the manufacture, assembly and surface treatment of metallic components and sub-assemblies for the Aerospace industry.

Business review

During the period covered by this report the business changed its registered name to Brookhouse Aerospace Limited, following the successful completion of a management led buyout in February 2021, of the intermediate parent undertaking Brookhouse Aerospace Holdings Limited (formally Kaman UK Holdings Limited), by the UK directors. The Brookhouse name draws on the long history of a business continually trading since 1951, originally serving the local foundry industry with metallic patterns and tools, but having evolved over the years to become a key supplier to several OE Aerospace manufacturers in the UK and Europe for composite and metallic parts, treatments and assemblies.

Our Strategic goals for the Company are built upon the objectives of (i) differentiating our value proposition, by utilising a wide set of capabilities inclusive of design and process expertise, to develop a single point manufacturing and supply provision for our customers; (ii) increasing scale by investment in new capability and competencies; (iii) diversifying our customer portfolio across multiple end markets; and (iv) developing our people and infrastructure.

With the strategic direction of the Company now in the control of the UK senior management team and having independence from a larger group, significant growth and investment plans are in place to take the business forward. This investment will be directed and aligned with the present and future needs of our customers.

In order to achieve these objectives, we focus our efforts on improving the balance between commercial and defence programme content and customers while also leveraging our broad capabilities to develop and expand other market positions.

The Company aims to offer a complete service solution with full engineering support from concept to serial production delivery of detailed parts; Metallic, Composites, sub assembly or Assembly. We also offer a dedicated repair and spares capability. The Company is a major supplier to leading aerospace manufacturing companies, with supply positions on many key aircraft programmes. Our strengths are the impressive collective capability that we have to offer, together with a highly skilled and motivated workforce. These two assets have been carefully integrated to achieve optimum performance and outstanding value for money for our customers.

In-house facilities consist of six computer-controlled autoclaves, 'A & C' Scan NDT and Mechanical Testing Equipment, three Extensive Cleanrooms with controlled environment, CAD Systems operating on Industry Standard Software, Vacuum Forming Machines, monolithic kit cutting and nesting and numerous manufacturing processes such as Laminating, Machining, Acrylic Forming Thermal & Acoustic Insulation, Detail Fitting and Paint Finishing.

The Company also offers an extensive metallic components manufacturing capability, including machining, fabrication, welding, press forming, dye penetrant NDT, fully automated metal surface treatments and extensive paint booth capabilities.

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 MARCH 2021**

The Company continues to invest in the strengthening of its full service offering and has recently invested in 3D printing capability, further hard metals machining capability and larger capacity CMM to accommodate parts up to 4 meters.

The Company was significantly impacted throughout the financial period by the decline in the global aerospace industry, as a direct result of COVID-19. From the outset of pandemic, the business saw order book volumes on commercial aviation programmes reduced to zero. As a consequence, the Company's revenues reduced by circa 40% on its commercial sector. Throughout the period the Company remained operational servicing demands of its military and defence customer base. To protect the long term future of the business, the Directors made the difficult decision to complete a redundancy process along with utilising the UK Government furlough scheme. As a result of the milestones achieved throughout the preceding financial year, the Company was able to service its liabilities, including the repayment of £2.75m of loan note debt in March 2021, through its own working capital and cash reserves and not draw on external borrowings.

While the sector and the Company face a number of challenges as the world and the UK recovers from the impact of COVID-19 on the aviation and commercial aerospace market, the directors believe Brookhouse Aerospace is well placed at the forefront of the recovery, with investments already made which will see the introduction of new capabilities such as additive manufacturing and the development of automation to increase competitiveness in a difficult market. Despite the reduction in revenues and reported loss for the financial period, the directors are satisfied the Company is on track to return to profitability, albeit at a slower rate than previously forecast as a result of COVID-19, and it continues to build on the hard work and success of milestones achieved through 2021.

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 MARCH 2021**

Principal risks and uncertainties

The Company operates in a changing economic and technological environment that presents risks, many of which are driven by factors that we cannot control or predict. The key risks and uncertainties facing the Company are:

- Economic, political and market conditions, and in particular acts of terrorism affecting the aerospace markets.
- As a result of changes in the competitive landscape we may have to change our pricing models to compete successfully on future programmes.
- On 1 January 2021 the UK formally left the EU. The Company continues to monitor export and import regulations which could have an impact on the Company.
- COVID-19 has heavily impacted the commercial aerospace sector, one of the Company's operating markets. The directors continue to monitor the impact of COVID-19 on international and domestic air travel and subsequently commercial aircraft build rates. It is our view that it may take several years for the commercial aerospace sector to recover to pre-COVID levels.

Financial Risk Management

The Company's principal financial instruments comprise of cash and cash equivalents and related party balances. Other financial assets and liabilities such as trade debtors and trade creditors arise directly from the Company's operating activities. The main purpose of these financial assets and liabilities is to provide finance for the Company's on-going operations.

The main risk associated with the Company's financial assets and liabilities are cash flow and liquidity risk, credit risk and currency risk as summarised below.

Credit risk

The Company's policy is to require assessments of customers credit worthiness prior to their being accepted as a credit customer. Payment histories are monitored on a continuous basis to mitigate credit risk. The directors set limits for customers based on a combination of payment history and third party references.

Cash flow and liquidity risk

The Company's finances are monitored by the directors on an ongoing basis. The directors assess the companies cash requirements by assessing short term and long term forecasts.

Currency risk

The Company does not enter into formal hedging arrangements or utilise other financial instruments to manage currency risk. The Company operates a natural hedging policy reviewing forecasted foreign cash inflows and outflows. A number of customer contracts contain currency risk provisions to also mitigate this risk.

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 MARCH 2021**

Financial key performance indicators

	15 months to 31 March 2021	15 months to 31 March 2021 excluding exceptional items	FY 2019	FY 2019 excluding exceptional items
Turnover	£24.6m	£24.6m	£24.3m	£24.3m
Gross margin	£(0.6)m	£0.6m	-	£0.2m
Gross margin %	(2.4)%	2.4%	-	0.1%
Selling, general & admin expenses	£10.1m	£4.9m	£3.9m	£3.8m
EBITDA	£(8.7)m	£(2.3)m	£(2.3)m	£(2.0)m
Operating loss	£(10.3)m	£(3.8)m	£(3.9)m	£(3.6)m
Net assets	£1.7m	£1.7m	£12.0m	£12.0m
Cash & cash equivalents	£1.8m	£1.8m	£(1.8)m	£(1.8)m
Full time equivalents (Employees)	207	207	273	273

Turnover for the 15 month period was £24,640,000, pro-rata for 12 months £19,712,000, down 19% on the previous year (2019: 12m £24,295,000), with order book reductions across all commercial platforms from April 2020 as a result of COVID-19. The operating loss for the period of £10,328,000 includes £6,480,000 of exceptional items, which management have added back in the table above to present an EBITDA loss excluding exceptional items of £2,267,000, presenting a 15% improvement on the prior 12 month period despite the impact of the COVID pandemic.

During the period the company incurred £569,000 of management charges from the previous ultimate parent undertaking and disposed of assets at a loss of £403,000, for which it no longer had use of, post the change in ultimate control. As such, excluding these two items the EBITDA loss (excluding exceptional items) is £1,295,000 (2019: loss £1,451,000).

Reported net assets at the balance sheet date are £1,677,000, which include liabilities due to related party undertakings. Amounts due to an intermediate parent undertaking of £3,332,000 were waived post period end. The net assets excluding this balance are £5,009,000 at the balance sheet date.

Statement in respect of Section 172(1) of the Companies Act 2006

In performance of their statutory duties and in accordance with s172 (1) Companies Act 2006, the board of directors of Brookhouse Aerospace Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and other matters in the decisions taken during the 15 month period ended 31 March 2021.

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 MARCH 2021**

The Long Term

Each year, the Board undertakes an in-depth review of the Company's strategy, including a business plan for the subsequent five years. Once approved by the Board, the plan and strategy form the basis for financial budgets, resource plans and investment decisions and also the future strategic direction of the Company. In making decisions concerning the business plan and future strategy, the Board has regard to a variety of matters including the interests of various stakeholders, the consequences of its decisions in the long term and its long term reputation.

Employees

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

Environment

The Company recognises its obligations as a corporate citizen to carry out its activities in ways that are consistent with and contribute to a clean and safe environment. It is, therefore, the policy of the Company, as set out within Environmental Policy Guide (the "Environmental Guide"), that all of its employees comply with applicable environmental laws and regulations.

Business Relationships

The directors continually seek to maintain and develop strong and mutually beneficial relationships with the Company's suppliers and customers. The Company engages regularly with its customers and suppliers through face to face and tele-conference meetings, in order to ensure its strategy and values are aligned with customer needs. The Company maintains strong relationships with and actively contributes to industry bodies.

High standards of business conduct

The directors strive to operate the business to the highest level of conduct. All staff are required to adhere to the Company's Code of Conduct, with refresher training performed annually. Compliance policies include, but are not limited to; Anti-Bribery and Anti-Trust, Human Trafficking, The U.K Modern Slavery Act and Export and Trade.

Corporate Governance

The Board is committed to ensuring that a strong governance framework operates throughout the Brookhouse Group and recognises that good governance is a vital component to support management in the delivery of the Company's strategic objectives.

As such, the Board has implemented an approach which the Directors consider appropriate with regard to the Group's size and activities. The process of developing and implementing high standards of corporate governance suitable for the Company is ongoing and dynamic to reflect changes in the Company and its business.

This report was approved by the board on 16 December 2021 and signed on its behalf.

M P Rossiter
Director

**DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 MARCH 2021**

The directors present their report and the financial statements for the period ended 31 March 2021.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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.

Results and dividends

The loss for the period, after taxation, amounted to £10,328,000 (2019 - loss £3,911,000).

The directors who served during the period were:

C J Morris
M P Rossiter
Nord Aerospace Bidco Limited (appointed 2 February 2021)
M J Lyon (resigned 2 February 2021)
R D Starr (resigned 2 February 2021)
I K Walsh (resigned 2 February 2021)

Following the period end, K I Worth was appointed on 1 June 2021.

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 MARCH 2021**

Going concern

The financial statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Company can continue in operational existence for the foreseeable future.

Despite the current economic conditions which create some uncertainty on one of the Company's markets, the Company continues to meet its day-to-day working capital requirements using its current resources and external lines of credit, arranged and implemented post period end.

The Company's forecasts and projections, taking into account reasonably possible changes in the civil aerospace market, show that the Company will be able to operate within the levels of its cash resources and limits on arranged facilities. The recovery of the civil aerospace market could take several years, before the volumes reach levels seen pre the COVID-19 pandemic. As such, the Company re-sized the cost base in June 2020 to secure the long term future of the Company. Prior to the COVID-19 pandemic the Company had already shifted its reliance on the civil aviation market, with a strategy focused on defence and niche product portfolios. This strategy has somewhat protected the Company against the full impact of COVID-19 on the civil sector.

As a result, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approving these financial statements. The Company therefore, continues to adopt the going concern basis in preparing its financial statements.

Future developments

In the future the Company will continue to differentiate the value proposition and leverage business capabilities to provide customers with a single source for a broad array of products and services. Whilst actively seeking to develop market position across other sectors outside of Aerospace.

Engagement with employees

Employee consultation and involvement

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

Disabled employees

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

BROOKHOUSE AEROSPACE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 MARCH 2021**

Streamlined Energy and Carbon Reporting (SECR)

	15 month period ended 31 March 2021
Total Energy Consumed (kWh)	9,195,134
Scope 1 - Emissions from direct combustion of fuel (tCO ₂ e)	499
Scope 2 - Emissions from purchased energy (tCO ₂ e)	1,360
Scope 3 - Indirect emissions from third party transport (tCO ₂ e)	-
Total emissions (tCO ₂ e)	1,859
Emission intensity ratio (tCO ₂ e per £m Turnover)	76
Estimated data	0%

Quantification and reporting methodology

We have followed the 2019 HM Government Environment Reporting Guidelines. We have also used the GHG Reporting Protocol - Corporate Standard and have used the 2021 UK Government's Conversion Factors for Company Reporting. The comparison period for the financial year ending 31 December 2019 has not been presented as it does not meet the required threshold.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO₂e per £million turnover.

Measures taken to improve energy efficiency

The business has contracted an energy consultant to produce an energy efficiency strategy. In addition the business has engaged UCLAN to deliver their low carbon support under the MACAW programme.

Further initiatives are planned from the recommendations provided by both of these resources.

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.

BROOKHOUSE AEROSPACE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 MARCH 2021**

Post balance sheet events

On 1 June 2021 Brookhouse Aerospace Limited entered into an invoice finance facility with Close Brothers for an amount of £4,500,000 which is secured with a fixed charge over the debtors book of Brookhouse Aerospace Limited and a floating charge over all the assets of Brookhouse Aerospace Limited.

Additionally, following the year end an amount due to an immediate parent undertaking of £3,332,000 was formally waived.

Auditors

PricewaterhouseCoopers LLP resigned as auditor during the period and Mazars LLP were appointed to fill the vacancy. The auditors, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 16 December 2021 and signed on its behalf.

M P Rossiter

Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BROOKHOUSE AEROSPACE LIMITED

Opinion

We have audited the financial statements of Brookhouse Aerospace Limited (the 'Company') for the period ended 31 March 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its loss for the period 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 a 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BROOKHOUSE AEROSPACE LIMITED

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 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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In 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 Strategic Report or 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BROOKHOUSE AEROSPACE LIMITED

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 either the directors intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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. Based on our understanding of the Company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, non-compliance with implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BROOKHOUSE AEROSPACE LIMITED

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit 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.

Christopher Martin (Senior statutory auditor)

for and on behalf of

Mazars LLP

Chartered Accountants and Statutory Auditor

One St. Peter's Square

Manchester
M2 3DE

16 December 2021

BROOKHOUSE AEROSPACE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2021**

		15 month period ended 31 March 2021 £000	As restated 12 month period ended 31 December 2019 £000
Turnover	4	24,640	24,295
Cost of sales (including exceptional items of £1,200,000 (2019: £244,000)) - See note 7		(25,281)	(24,312)
Gross loss		<u>(641)</u>	<u>(17)</u>
Administrative expenses (including exceptional items of £5,280,000 (2019: £89,000)) - See note 7		(10,147)	(3,894)
Other operating income	5	460	-
Operating loss	6	<u>(10,328)</u>	<u>(3,911)</u>
Loss before tax		(10,328)	(3,911)
Tax on loss	10	-	-
Loss for the financial period		<u>(10,328)</u>	<u>(3,911)</u>
Other comprehensive income for the period			
Unrealised (deficit)/surplus on revaluation of tangible fixed assets		(44)	-
Other comprehensive income for the period		<u>(44)</u>	<u>-</u>
Total comprehensive income for the period		<u>(10,372)</u>	<u>(3,911)</u>

All the results are from continuing operations.

The notes on pages 18 to 36 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	31 March 2021 £000	As restated 31 December 2019 £000
Fixed assets			
Intangible assets	11	241	782
Tangible assets	12	3,759	4,567
		<u>4,000</u>	<u>5,349</u>
Current assets			
Stocks	13	2,729	8,319
Debtors: amounts falling due within one year	14	5,146	8,894
Cash at bank and in hand	15	1,840	-
		<u>9,715</u>	<u>17,213</u>
Creditors: amounts falling due within one year	16	(11,842)	(10,513)
Net current (liabilities)/assets		<u>(2,127)</u>	<u>6,700</u>
Total assets less current liabilities		<u>1,873</u>	<u>12,049</u>
Provisions for liabilities			
Other provisions	17	(196)	-
		<u>(196)</u>	<u>-</u>
Net assets		<u><u>1,677</u></u>	<u><u>12,049</u></u>
Capital and reserves			
Called up share capital	18	250	250
Revaluation reserve	19	930	1,450
Profit and loss account	19	497	10,349
		<u>1,677</u>	<u>12,049</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16 December 2021.

M P Rossiter
Director

The notes on pages 18 to 36 form part of these financial statements.

BROOKHOUSE AEROSPACE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2021**

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2020 (as previously stated)	250	-	10,349	10,599
Prior year adjustment	-	1,450	-	1,450
At 1 January 2020 (as restated)	<u>250</u>	<u>1,450</u>	<u>10,349</u>	<u>12,049</u>
Comprehensive income for the period				
Loss for the period	-	-	(10,328)	(10,328)
Deficit on revaluation of other fixed assets	-	(44)	-	(44)
Transfer to profit and loss account	-	(476)	476	-
Total comprehensive income for the period	<u>-</u>	<u>(520)</u>	<u>(9,852)</u>	<u>(10,372)</u>
At 31 March 2021	<u><u>250</u></u>	<u><u>930</u></u>	<u><u>497</u></u>	<u><u>1,677</u></u>

The notes on pages 18 to 36 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2019**

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2019 (as previously stated)	250	-	13,883	14,133
Prior year adjustment	-	1,827	-	1,827
At 1 January 2019 (as restated)	<u>250</u>	<u>1,827</u>	<u>13,883</u>	<u>15,960</u>
Comprehensive income for the year				
Loss for the year	-	-	(3,911)	(3,911)
Transfer to profit and loss account	-	(377)	377	-
Total comprehensive income for the year	<u>-</u>	<u>(377)</u>	<u>(3,534)</u>	<u>(3,911)</u>
At 31 December 2019	<u><u>250</u></u>	<u><u>1,450</u></u>	<u><u>10,349</u></u>	<u><u>12,049</u></u>

The notes on pages 18 to 36 form part of these financial statements.

BROOKHOUSE AEROSPACE LIMITED

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2021**

	31 March 2021 £000	31 December 2019 £000
Cash flows from operating activities		
Loss for the financial period	(10,328)	(3,911)
Adjustments for:		
Amortisation of intangible assets	315	-
Depreciation of tangible assets	1,266	1,143
Loss on disposal of tangible assets	115	-
Loss on disposal of intangible assets	289	-
Decrease/(increase) in stocks	5,590	(810)
Decrease/(increase) in debtors	3,603	(1,215)
Increase in provisions	196	-
(Decrease)/increase in creditors	(352)	2,821
Corporation tax received/(paid)	146	(180)
	<hr/>	<hr/>
	840	(2,152)
Net cash generated from operating activities	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of intangible fixed assets	(65)	(353)
Sale of intangible assets	2	-
Purchase of tangible fixed assets	(618)	(990)
Sale of tangible fixed assets	-	846
	<hr/>	<hr/>
	(681)	(497)
Net cash from investing activities	<hr/>	<hr/>
Cash flows from financing activities		
Shareholder loans	6,000	-
Repayment of loans	(2,750)	-
Repayment of/new finance leases	213	51
	<hr/>	<hr/>
Net cash used in financing activities	3,463	51

Net increase/(decrease) in cash and cash equivalents	3,622	(2,598)
))
Cash and cash equivalents at beginning of period	(1,782)	816
))
Cash and cash equivalents at the end of period	<u>1,840</u>	<u>(1,782)</u>
Cash and cash equivalents at the end of period comprise:		
Cash at bank and in hand	1,840	-
Bank overdrafts	<u>-</u>	<u>(1,782)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2021**

1. General information

Brookhouse Aerospace Limited ("the Company") is a private limited Company, limited by shares, registered number 01898700, registered in England & Wales. The address of its registered office and principal place of business is India Mill, Darwen, Lancashire, BB3 1AD.

The principal activity of Brookhouse Aerospace Limited is to manufacture and repair composite components and manufacture, assembly and surface treatment of metallic components and sub assemblies for the aerospace industry.

These financial statements have been presented in pound sterling which is the functional currency of the Company, and rounded to the nearest £.

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 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 Company undertook to change its accounting policy for plant and machinery within tangible fixed assets. The revaluation model has been retrospectively adopted in line with FRS 102. Further details of which can be found in notes 12 and 21.

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Company can continue in operational existence for the foreseeable future.

Despite the current economic conditions which create some uncertainty on one of the Company's markets, the Company continues to meet its day-to-day working capital requirements using its current resources and external lines of credit, arranged and implemented post period end.

The Company's forecasts and projections, taking into account reasonably possible changes in the civil aerospace market, show that the Company will be able to operate within the levels of its cash resources and limits on arranged facilities. The sectors recovery of the civil aerospace market could take several years, before the volumes reach levels seen pre the COVID-19 pandemic. As such, the Company re-sized the cost base in June 2020 to secure the long term future of the Company. Prior to the COVID-19 pandemic the Company had already shifted its reliance on the civil aviation market, with a strategy focused on defence and niche product portfolios. This strategy has somewhat protected the Company against the full impact of COVID-19 on the civil sector.

As a result, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approving these financial statements. The Company therefore, continues to adopt the going concern basis in preparing its financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2021**

2. Accounting policies (continued)

2.3 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 Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2021**

2. Accounting policies (continued)

2.6 Government grants

The UK government has offered a range of financial support packages to help companies, including government backed financing arrangements, furlough schemes, deferment of VAT payments and, for some sectors, business rates holidays. Of the offered schemes, the Company used the furlough scheme. The income from the furlough scheme has been recognised within 'Other operating income'. They are recognised when the entity has reasonable assurance that they will comply with the conditions attaching the grant, and that the grant will be received. The accrued element of grants is included in debtors as accrued income.

2.7 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.8 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.9 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 reporting date in the countries where the Company operates and generates income.

Deferred tax arises from the timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in period different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2021**

2. Accounting policies (continued)

2.10 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.11 Intangible assets

Intangible assets 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 provided to write off the cost less the estimated residual value of intangible fixed assets by equal instalments over their useful economic life which is estimated to be 7 years.

2.12 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.

Tangible fixed assets under the revaluation model are assessed for their fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date.

Categories included under the revaluation model within these financial statements are plant and machinery and assets under construction.

Revaluation gains and losses are recognised in other comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

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:

Plant and machinery	- 5 - 10%
Fixtures and fittings	- 10%
Computer equipment (included within plant and machinery)	- 33%

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.

Assets under construction are not depreciated until they are completed.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2021**

2. Accounting policies (continued)

2.13 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.14 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.16 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 amortised cost using the effective interest method.

2.17 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 Statement of Financial Position 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 Statement of Financial Position.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2021**

2. Accounting policies (continued)

2.18 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 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 amortised 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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised 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 recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2021**

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

In the application of the Company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historic experience and other factors considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

i) Useful economic lives of properties, plant and equipment

The annual depreciation charges for property, plant and equipment is sensitive to changes in estimated useful economic lives of the assets. The useful lives of the assets are reviewed on an annual basis and amended where necessary to reflect current estimates.

ii) Stock provisioning

The Company manufactures and assembles components and sub-assemblies for the Aerospace industry. As a result it is necessary to consider the recoverability of the cost of stock and the associated provisioning required. Management consider the nature and condition of the stock and apply assumptions around future demand when calculating the level of provisioning required.

iii) Debtor provisioning

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing recoverability, management considers factors including the credit rating of the debtor, the age profile of the receivable and historic experience.

iv) Intangible fixed assets and amortisation

Intangible fixed assets are shown at cost, net of amortisation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributed to bringing the asset to its working condition for its intended use.

Amortisation is provided to write off the cost less the estimated residual value of intangible fixed assets by equal instalments over their useful economic live which is estimated to be 7 years.

v) Contract assets

Non recurring contract costs incurred to fulfil specific contracts and other related contract assets to include inventory held for specific projects, amount to £143k (2019: £2.6m), and are measured at transaction price. The costs are amortised over the contract period, or number of shipments. Costs are reviewed for impairment in line with contract performance. Where contract assets are included in a claim, management assess the recoverability based on the facts and circumstances at the balance sheet date, which when resolved in future periods, could result in a materially different outcome.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2021

4. Turnover

Analysis of turnover by country of destination:

	15 month period ended 31 March 2021 £000	12 month period ended 31 December 2019 £000
United Kingdom	19,811	18,824
Rest of Europe	3,784	918
USA	646	4,195
Rest of the world	399	358
	<u>24,640</u>	<u>24,295</u>

5. Other comprehensive income

	15 month period ended 31 March 2021 £000	12 month period ended 31 December 2019 £000
Government grants income	<u>460</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2021

6. Operating loss

The operating loss is stated after charging:

	15 month period ended 31 March 2021 £000	As restated 12 month period ended 31 December 2019 £000
Hire of other assets - rentals payable under operating leases	772	502
Management charges - previous US ultimate parent undertakings	569	549
Management charges - UK Ultimate parent undertakings	34	-
Depreciation of owned tangible fixed assets	1,266	879
Amortisation of owned intangible assets	315	264
Loss on sale of assets	403	-
Exceptional items (see below)	6,480	333
Net foreign exchange gain	(154)	(17)
Auditors' remuneration - statutory audit services	38	62
Auditors' remuneration - non-audit services	10	-
Exceptional items:		
Restructuring expense	2,437	244
Waiver of intercompany loan receivables	1,944	-
Impairment of cash advances	-	89
Redundancy costs	568	-
Impairment write off of inventory	<u>1,531</u>	<u>-</u>

7. Exceptional items

Exceptional items incurred during the current and prior financial year have been disclosed separately due to their nature and materiality. In the period ended 31 March 2021, restructuring expenses totalled £2,437,000, of which exceptional items totalling £2,385,000, previously disclosed within contract assets, inventory and retentions were written off, following the assignment of the associated rights and obligations of the contract to the former Ultimate Parent Undertaking on a change in the ultimate control on 2 February 2021. £52,000 was incurred for prepaid insurance and IT expenses, which ceased on change in control of the ultimate parent undertaking. Incurred in the period were £568,000 of employee redundancy costs. The Company impaired an intercompany receivable totalling £1,944,000, representing loan interest paid to the former ultimate parent undertaking, on behalf of an intermediary holding company. Impairment of stock totalled £1,531,000, following a recoverability assessment of stock transferred from a sister company in the financial year ended 31 December 2018 and other items held within stock at the period end.

Exceptional costs in 2019 of £333,000 relate to restructuring expenses of £244,000 and impairment of cash advances of £89,000 relating to the administration of KTL Tooling Limited.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2021**

8. Employees

Staff costs were as follows:

	15 month period ended 31 March 2021 £000	12 month period ended 31 December 2019 £000
Wages and salaries	7,737	8,227
Social security costs	754	846
Cost of defined contribution scheme	274	295
Restructuring expense	568	-
	<u>9,333</u>	<u>9,368</u>

The average monthly number of employees, including the directors, during the period was as follows:

	15 month period ended 31 March 2021 No.	12 month period ended 31 December 2019 No.
Production	187	255
Administration	20	18
	<u>207</u>	<u>273</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2021

9. Directors' remuneration

	15 month period ended 31 March 2021 £000	Year ended 31 December 2019 £000
Directors' emoluments	450	243
Pension contributions	82	23
	<u>532</u>	<u>266</u>
Highest paid director		
Gross	270	195
Pension	70	18
	<u>340</u>	<u>213</u>

10. Taxation

	15 month period ended 31 March 2021 £000	12 month period ended 31 December 2019 £000
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2021

10. Taxation (continued)

Factors affecting tax charge for the period/year

The tax assessed for the period/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:

	15 month period ended 31 March 2021 £000	As restated 12 month period ended 31 December 2019 £000
Loss on ordinary activities before tax	<u>(10,328)</u>	<u>(3,911)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(1,962)	(743)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	369	17
Fixed asset differences	267	88
R&D tax credits	-	(30)
Income not taxable for tax purposes	(1)	-
Tax rate differences on deferred tax	-	2
Deferred tax not recognised	1,685	607
Remeasurement of deferred tax for changes in tax rates	(358)	59
Total tax charge for the period/year	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom will increase from 19% to 25%. Companies with profits of £50,000 or less will continue to be taxed at 19%, which is a new small profits rate. Where taxable profits are between £50,000 and £250,000, the higher 25% rate will apply but with a marginal relief applying as profits increase.

Deferred tax

A deferred tax asset of £4,664,000 (2019: £3,157,000) has not been recognised in respect of current and prior year trading losses and accelerated capital allowances. Management have concluded that the company is not expected to utilise a significant amount of the tax losses in the short term.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2021

11. Intangible assets

	Computer software
	£000
Cost	
At 1 January 2020 (as previously stated)	1,033
Prior Year Adjustment	116
At 1 January 2020 (as restated)	1,149
Additions	65
Disposals	(821)
At 31 March 2021	393
Amortisation	
At 1 January 2020 (as previously stated)	288
Prior Year Adjustment	79
At 1 January 2020 (as restated)	367
Charge for the period on owned assets	315
On disposals	(530)
At 31 March 2021	152
Net book value	
At 31 March 2021	241
At 31 December 2019 (as restated)	782

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2021

12. Tangible fixed assets

	Plant and machinery £000	Fixtures and fittings £000	Assets under construction £000	Total £000
Cost or valuation				
At 1 January 2020 (as previously stated)	9,929	439	4	10,372
Prior Year Adjustment	357	1,660	79	2,096
At 1 January 2020 (as restated)	10,286	2,099	83	12,468
Additions	412	59	147	618
Disposals	(302)	(114)	-	(416)
Revaluations	(44)	-	-	(44)
At 31 March 2021	10,352	2,044	230	12,626
Depreciation				
At 1 January 2020 (as previously stated)	6,869	349	-	7,218
Prior Year Adjustment	(503)	1,186	-	683
At 1 January 2020 (as restated)	6,366	1,535	-	7,901
Charge for the period on owned assets	1,225	41	-	1,266
Disposals	(187)	(114)	-	(301)
At 31 March 2021	7,404	1,462	-	8,866
Net book value				
At 31 March 2021	2,948	582	230	3,760
At 31 December 2019 (as restated)	3,920	564	83	4,567

Within the prior year adjustments noted above are included amounts in relation to the change in accounting policy. As a result, opening plant and machinery cost has increased by £1,748,000 and accumulated depreciation by £377,000. Furthermore, opening assets under construction cost has increased by £79,000.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2021**

13. Stocks

	31 March 2021	31 December
	£000	2019
		£000
Raw materials and consumables	1,905	5,821
Work in progress	581	2,112
Finished goods and goods for resale	243	386
	<u>2,729</u>	<u>8,319</u>

There is no significant difference between the replacement costs of inventory and its carrying amount.

Stock recognised in cost of sales during the year as an expense was £10,488,000 (2019: £11,251,000).

Stocks are stated after provisions for impairment of £1,530,000 (2019: £1,124,000).

14. Debtors

	31 March 2021	31 December
	£000	2019
		£000
Trade debtors	3,744	6,078
Amounts owed by group undertakings	-	1,277
Other debtors	919	1,136
Prepayments and accrued income	483	403
	<u>5,146</u>	<u>8,894</u>

Other debtors includes £831,000 (2019: £953,000) of non-recurring costs which are recoverable over the life of a programme or over a specified timescale.

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

An impairment loss of £70,000 (2019: £183,000) was recognised against trade debtors.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2021**

15. Cash and cash equivalents

	31 March 2021	31 December
	£000	2019
		£000
Cash at bank and in hand	1,840	-
Less: bank overdrafts	<u>-</u>	<u>(1,782)</u>

16. Creditors: Amounts falling due within one year

	31 March 2021	31 December
	£000	2019
		£000
Bank overdrafts	-	1,782
Shareholder loans	3,250	-
Trade creditors	2,265	1,772
Amounts owed to group undertakings	3,332	4,530
Other taxation and social security	628	274
Finance leases	264	51
Accruals and deferred income	2,103	2,104
	<u>11,842</u>	<u>10,513</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Included within the 31 December 2019 accruals and deferred income is a restructuring provision of £530,000 which relates to the dilapidations liability of Kaman Fabricated Products Limited, on a property vacated on the merger acquisition completed 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2021

17. Provisions

	Dilapidation provision £000
At 1 January 2020	-
Charged to profit or loss	196
	<hr/>
At 31 March 2021	<u>196</u>

As part of the Company's property leasing arrangements there is an obligation to repair damages which incur during the life of the lease. The cost is charged to the profit and loss as the obligation arises.

18. Share capital

	31 March 2021 £000	31 December 2019 £000
Allotted, called up and fully paid		
250,000 (2019 - 250,000) Ordinary shares shares of £1.00 each	<u>250</u>	<u>250</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and repayment of capital.

19. Reserves

Revaluation reserve

The revaluation reserve represents cumulative gains recognised on the revaluation of fixed assets.

Profit and loss account

The profit and loss reserve represents cumulative profits and losses made less any dividends declared.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2021

20. Analysis of net debt

	At 1 January 2020 £000	Cash flows £000	New finance leases £000	New loans £000	Repayment of loans £000	At 31 March 2021 £000
Cash at bank and in hand	-	1,840	-	-	-	1,840
Bank overdrafts	(1,782)	1,782	-	-	-	-
Debt due within 1 year	-	-	-	(6,000)	2,750	(3,250)
Finance leases	(51)	51	(264)	-	-	(264)
	<u>(1,833)</u>	<u>3,673</u>	<u>(264)</u>	<u>(6,000)</u>	<u>2,750</u>	<u>(1,674)</u>

21. Prior year adjustments

Reclassification of tangible fixed assets

Following a review of the Company's asset register, assets were reclassified in order to better represent the nature of the class into which they belong. A total NBV of £511,000 of plant and machinery was reclassified into fixtures and fittings (£474,000) and computers (£37,000).

Change in accounting policy

The Company undertook to change its accounting policy for plant and machinery within tangible fixed assets. The revaluation model has been retrospectively adopted in line with FRS 102. As a result, opening plant and machinery cost has increased by £1,748,000 and accumulated depreciation by £377,000. Furthermore, opening assets under construction cost has increased by £79,000. In respect of reserves, opening revaluation reserve has been increased by £1,827,000 and retained earnings has decreased by £377,000.

22. Pension commitments

The Company operates a defined contribution pension scheme. The pension cost charge for the period ended 31 March 2021 represents the contributions payable by the Company to the scheme and amounted to £261,000 (2019: £296,000). There were outstanding contributions at end of the financial year of £77,000 (2019: £41,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2021**

23. Commitments under operating leases

At 31 March 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	31 March 2021	31 December
	£000	2019
		£000
Payments due: Land and buildings		
Within one year	391	410
In two to five years	651	1,232
	<hr/>	<hr/>
	1,042	1,642
Payments due: Other		
Within one year	15	29
In two to five years	17	49
More than five years	-	-
	<hr/>	<hr/>
	32	78
	<hr/> <hr/>	<hr/> <hr/>

Securities:

An all assets debenture is secured by Bellerive SPV by way of a fixed charge over all the non-vesting debt (current and future) of Brookhouse as well as all other debt (current and future). These securities were satisfied post year end.

24. Post balance sheet events

On 1 June 2021 Brookhouse Aerospace Limited entered into an invoice finance facility with Close Brothers for an amount of £4,500,000 which is secured with a fixed charge over the debtors book of Brookhouse Aerospace Limited and a floating charge over all the assets of Brookhouse Aerospace Limited.

Additionally, following the year end an amount due to an immediate parent undertaking of £3,332,000 was formally waived.

25. Controlling party

The Ultimate Parent company is Nord Aerospace Holdings Limited and the immediate Parent is Brookhouse 2004 Limited. Both companies are incorporated in England and Wales.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.