

**HS Marston Aerospace Limited**

**Annual Report  
for the year ended 30 November 2021**

Registered number: 02590031



# HS Marston Aerospace Limited

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## **HS Marston Aerospace Limited**

### **Strategic report for the year ended 30 November 2021**

The directors present their Strategic Report for the company for the year ended 30 November 2021.

The directors, in preparing this strategic report, have complied with section 414C(11) of the Companies Act 2006.

At 30 November 2021 the company was a subsidiary of Raytheon Technologies Corporation (RTX).

#### **Review of the business**

The business experienced strong demand for its original equipment products and Aftermarket spares throughout the year, together with the introduction of new products for the USA Market. Interest in the Company's products has remained strong, particularly within the RTX group.

Management monitors the performance of the business by utilising the following Key Performance Indicators ('KPIs'):

- Sales – 4.8% decrease in 2021 (2020: 25.8% lower) than the previous years;
- Gross profit margin is 2.4% in 2021 (2020: 13.1%);
- Operating loss has decreased to a loss of £4,354,000 in 2021 (2020: decrease to £5,080,000);
- Stock days decreased to 98 days in 2021 (2020: 149 days);
- Loss for the financial year of £3,509,000 (2020: loss £3,182,000);
- Total shareholder funds has increased to £147,384,000 in 2021 (2020: £110,805,000); and
- Current assets as % of current liabilities 100.2% (2020: 169.4%).
- Average number of employees (No.) 305 (2020: 380)

In the current year's financial statements, the company has recognised an item incorrectly accounted for in 2020 within Revenue and Debtors. The 2020 comparatives have been adjusted to reflect this transaction.

#### *Operations*

The company operates lean manufacturing principles by utilising RTX's Customer Oriented Results and Excellence (CORE) Operating System. There has been particular focus on quality, delivery performance, inventory and productivity. Productivity improved again in 2021.

#### *Engineering*

The company continued to invest in new technology to meet the future demands of the engine manufacturers. All major project milestones for new development programmes, of both heat exchangers and fluids management products were achieved, as well as continued support for in-service.

#### *Environment, Health and Safety*

The company continued to sustain an excellent EH&S performance in 2021. Environmental and Health & Safety accreditations, ISO 14001 and OHSAS 18001 were successfully maintained and further good progress recorded for five environmental metrics.

#### *Quality*

The company has successfully maintained AS9100 Quality Management System accreditation and retained Aerospace Regulatory Approvals with EASA, CAA, FAA, and CAAC.

## **HS Marston Aerospace Limited**

### **Strategic report for the year ended 30 November 2021**

#### **Principal risks and uncertainties**

The principal non-financial risks and uncertainties facing the Company are broadly grouped as competitive and legislative. The financial risks are discussed in the financial risk management section of the Directors' report.

#### **Competitive Risk**

The Company undertakes business through customer purchase orders and some significant contracts, and through a commitment to excellence, seeks to achieve and exceed customer expectations to mitigate and reduce the risk of non-renewal of purchase orders and contract terminations.

The Company carefully manages and directs its Business Development team to identify and win new business opportunities via the development of customer relations and by continually improving its products.

#### **Legislative Risk**

All of the business carried out is subject to standards set by the Civil Aviation Authority (CAA), the European Aviation Safety Agency (EASA) and in some cases the Federal Aviation Authority (FAA). These bodies issue regulations, which need to be complied with in order to be authorised to carry out maintenance work in the Aerospace industry. Compliance imposes costs and failure to comply with the standards could materially affect the Company's ability to operate. To mitigate against these risks the business operates a robust business management system, which ensures adherence to the regulatory standards through procedures, standard work and policies. This is supported by a strong audit programme through self-assessment and within the RTX group audit function.

#### **COVID-19 impact**

In the month of January 2020, the emergence of the virus COVID-19 was announced and was defined by the World Health Organization as a "pandemic situation". The pandemic has not materially impacted the financial performance or position of the company during the year ended 31 December 2021 and is not expected to for the foreseeable future.

#### **Section 172 (1) Statement**

This section describes how the directors have had regard to the matter set out in Section 172(1) (a) to (f) of the Companies Act 2006 in exercising their duty to promote the success of the Company for the benefit of its key stakeholders.

#### **The likely consequences of any decision in the long term**

The directors of the Company have a duty of care to the key stakeholders when making decisions that affect long term sustainability of the Company. Key objectives are formulated as such to ensure that the Company continues as a going concern. The directors remain mindful that its strategic decisions can have long term implications for the business and its stakeholders, and these implications are carefully assessed.

#### **Having regard to the need to act fairly as between members of the Company**

The directors recognise their legal and regulatory duties, and do not take any decisions or actions, such as selectively disclosing confidential or inside information, that will provide any shareholder or group of shareholders with any unfair advantage or position compared to the shareholders as a whole.

## **HS Marston Aerospace Limited**

### **Strategic report for the year ended 30 November 2021**

#### **Section 172 (1) Statement (continued)**

**Having regard to the desirability of the Company maintaining a reputation for high standards of business conduct**

##### **Modern Slavery Act**

The Company is committed to ensuring slavery and human trafficking are not taking place in its business or supply chains. To this end the Company has published a statement for the reporting period at [www.rtx.com](http://www.rtx.com).

**Having regard to the interests of the Company's employees**

##### *Employee involvement*

It is the policy of the Company to create a common awareness amongst employees of the financial and economic factors affecting the performance of the Group. It is the policy of the Company to maintain and develop employee involvement. Local managers provide information on a regular basis on matters of concern to employees, using various means such as business review meetings, briefing meetings, video presentations, company newsletters and training sessions.

##### *Disabled employees*

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

##### *Employee Programmes and Benefits*

The company operates ongoing employee development programmes which reflect development needs highlighted in the annual performance reviews. The company sponsored a number of employees on the RTX Employee Scholar Programme. All office employees completed a range of mandatory on-line training modules centred on business practices designed to increase awareness and promote strong ethical compliance, training includes anti-corruption and bribery matters. The company also continued a job rotation programme for high potential employees. As part of its "wellness" and health management programmes the company provides a 'Cycle to Work' scheme and bi-monthly health initiatives. It also provided an all employee reward programme, together with a new reward and recognition programme for those employees exhibiting exemplary performance. The company operates a sports and social club available to the employees.

**Having regard to need to foster the Company's business relationships with suppliers, customers and others**

##### **Customers**

The directors of the Company, on a continuing basis, promote the development and maintenance of a customer focus culture. The Company carefully manages and directs its business development team to identify and win new business opportunities via the development of customer relations and by continually improving its products.

##### **Suppliers**

The directors recognise the key role suppliers play in ensuring the company delivers a reliable service to customers. The directors seek to balance the benefits of maintaining strong partnering relationships with key suppliers alongside the need to obtain value for money for our investors and the desired quality and service levels for our customers. The Company works with suppliers and builds robust, long-lasting supply chains. The Company pays the suppliers in line with their payment terms.

## **HS Marston Aerospace Limited**

### **Strategic report for the year ended 30 November 2021**

#### **Section 172 (1) Statement (continued)**

##### **Having regard to need to foster the Company's business relationships with suppliers, customers and others (continued)**

###### **Regulators**

The Company seeks a constructive and cooperative relationship with the bodies that authorise and regulate the business activities. This helps us maintain a reputation for high standards of business conduct.

All of the business carried out is subject to standards set by the Civil Aviation Authority (CAA), the European Aviation Safety Agency (EASA) and in some cases the Federal Aviation Authority (FAA). All of these bodies issue regulations which need to be complied with in order to be authorised to carry out maintenance work in the aerospace industry. Compliance imposes costs and failure to comply with the standards could materially affect the Company's ability to operate. To mitigate against these risks the business operates a robust business management system which ensures adherence to the regulatory standards through procedures, standard work and policies. This is supported by a strong audit program through self-assessment and through the RTX group audit function.

The Company manages its tax affairs responsibly and proactively to comply with tax legislation. The Company's approach is to seek to build solid and constructive working relationships with all tax authorities.

###### **The impact of the Company's operations on the community and the environment**

The Company is convinced of the importance of health, safety and the environment to the success of its business and is committed to be an industry leader in its commitment to safety and environmental responsibility.

The Company will, on a continuing basis: develop and maintain a culture which recognises the importance of health, safety and the environment to its success and exercise its responsibilities in a manner that reflects this; provide a healthy and safe place of work for all its employees; develop products and operate facilities in a manner that strives to eliminate risk to employees, customers, the environment and the community at large; and improve its performance in health, safety and environmental matters by encouraging the participation, commitment and support of all employees.

###### **Streamlined Energy and Carbon Reporting ('SECR')**

This Report summarises the energy usage, associated emissions, energy efficiency actions and energy performance for the Company under the government policy Streamlined Energy and Carbon Reporting ('SECR'), as implemented by the 2018 Regulations. It also summarises the methodologies utilised for all calculations related to the elements reported under Energy and Carbon.

The following figures demonstrate year on year changes in consumption and resulting emissions for the company.

###### **Utility and Scope**

Scope 1 consumption and emissions relate to direct combustion of natural gas and fuels.

Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day to day business operations.

# HS Marston Aerospace Limited

## Strategic report for the year ended 30 November 2021

### Streamlined Energy and Carbon Reporting ('SECR') (continued)

The total consumption (kWh) figures for energy supplies are as follows:

	2021 Consumption (kWh)	2020 Consumption (kWh)
Grid-Supplied Electricity (Scope 2)	7,027,905	5,682,852
Natural Gas (Scope 1)	4,523,804	4,690,835
<b>Total</b>	<b>11,551,709</b>	<b>10,373,687</b>

The total emission (tCO<sub>2</sub>e) figures for energy supplies are as follows. Conversion factors utilised in these calculations are detailed below:

	2021 Consumption (tCO <sub>2</sub> e)	2020 Consumption (tCO <sub>2</sub> e)
Grid-Supplied Electricity (Scope 2)	1,492	1,325
Natural Gas (Scope 1)	834	863
<b>Total</b>	<b>2,326</b>	<b>2,188</b>

### Intensity Metric

An intensity metric of tCO<sub>2</sub>e per £m revenue has been applied for the annual total emissions. The methodology of the intensity metric calculations are detailed below, and results of this analysis is as follows:

	2021 Intensity Metric	2020 Intensity Metric (restated)
tCO <sub>2</sub> e/£m revenue	48.1	43.1

### Reporting Methodology

Scope 1 and 2 consumption and CO<sub>2</sub>e emission data has been calculated in line with the 2021 UK Government environmental reporting guidance. To maintain continuity with the GHG reporting undertaken before the implementation of SECR, only UK consumption and emissions are included within the emissions reporting. The intensity metric therefore is also calculated utilising the UK revenue figure.

Estimations undertaken to cover missing billing periods were calculated on a kWh/day pro-rata basis at meter level. Where data was not available for the entirety of the reporting period, an average of similar meter classes were taken and applied to the properties with no available data.

Intensity metrics have been calculated utilising the reported 2021 UK revenue figure, and tCO<sub>2</sub>e for both individual sources and total emissions were then divided by this figure to determine the tCO<sub>2</sub>e per metric.

## **HS Marston Aerospace Limited**

### **Strategic report for the year ended 30 November 2021**

#### **Future developments**

The directors expect to see continued growth and development under the new merged company Raytheon Technologies Corporation ("RTX").

#### **Events after the balance sheet date**

Details of significant events since the balance sheet date are contained in note 27 of the financial statements.

Approved by the Board and signed on its behalf by:



I Asghar  
Director  
**HS Marston Aerospace Limited** (Registered number: 02590031)

28 June 2022

# **HS Marston Aerospace Limited**

## **Directors' report for the year ended 30 November 2021**

The Directors present their report and the audited financial statements of the company for the year ended 30 November 2021.

### **Principal activities**

The company's principal activity during the year was the manufacture, design and service of heat exchangers and fluid management systems for the aerospace industry. The financial position was satisfactory and the Directors expect that the present level of activity will be sustainable for the foreseeable future. The company continues to respond to the changing needs of the market place through continued investment in engineering.

### **Future developments and events after the balance sheet date.**

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on pages 6 and 7 and form part of this report by cross-reference.

### **Research and development**

During 2021 the company continued progressing in the maturity of new and strategic technologies through a number of R&D projects in collaboration with universities, research centres and other stakeholders. Progress to get right level of maturity for these new technologies has been continued in 2021 and will continue through 2022.

### **Going concern**

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policies in the financial statements.

### **Financial risk management**

The company's operations expose it to a variety of financial risks that include foreign exchange risk, credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit adverse effects on its financial performance. The policies set by the Directors are implemented by the company's management team.

#### *Foreign Exchange Risk*

The company is exposed to currency risk when it has binding commercial or financial obligations in a currency other than its functional currency and the related cash inflows and outflows are not equal in amounts and timing. Foreign exchange exposures/risks are classified in three categories:

- transaction exposures/risks
- translation exposures/risks (accounting, balance sheet)
- economic exposures/risks

Activities are focused on transactional cash flows which arise from receivables, payables, loans, cash balances, orders received, purchase orders, etc. The primary responsibility to identify hedge currency exposures lies with the company, although the company extensively uses the resources and guidance of the group treasury centre to manage foreign exchange risk.

## **HS Marston Aerospace Limited**

### **Directors' report for the year ended 30 November 2021**

#### **Financial risk management (continued)**

##### *Credit Risk*

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the management of the company.

##### *Liquidity Risk*

The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for its operations and planned expansions.

##### *Interest rate risk*

The company has a policy of maintaining debt by utilising the company's overdraft facility on a variable rate basis.

#### **Results and dividends**

The company's performance for the year and the position as at the year-end is set out on pages 15 - 18.

There were £nil dividends proposed, declared and paid in the year (2020: £nil).

#### **Employee Involvement**

Details of employee involvement can be found in the Strategic Report on page 4 and form part of this report by cross-reference.

#### **Employee consultation**

The Company places considerable value on the involvement of its employees and has continued to keep 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, the Company magazine and a special edition for employees of the annual financial statements. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

#### **Environmental Matters**

Details of environmental matters can be found in the Strategic Report on page 5 and form part of this report by cross-reference.

#### **Political Donations**

No donations were made to political parties during the year (2020: nil).

## **HS Marston Aerospace Limited**

### **Directors' report for the year ended 30 November 2021**

#### **Directors**

The Directors during the year and up to the date of the financial statements were:

M R Frost (Resigned 31 May 2021)  
M J Robinson (Resigned 12 October 2021)  
Dr U Raab  
J St Onge (Resigned 20 May 2021)  
A McHugh  
C Nicholson  
I Asghar  
R Paulekas (Appointed 20 May 2021)

#### **Qualifying third party indemnity provision**

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

#### **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

## **HS Marston Aerospace Limited**

### **Directors' report for the year ended 30 November 2021**

#### **Directors' confirmations**

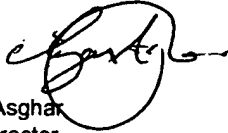
In the case of each directors in office at the date the Directors' Report is approved:

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

#### **Independent Auditors**

PricewaterhouseCoopers LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



I Asghar  
Director  
HS Marston Aerospace Limited (Registered number: 02590031)

28 June 2022

## **HS Marston Aerospace Limited**

Independent auditors' report to the members of HS Marston Aerospace Limited

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, HS Marston Aerospace Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2021 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 101 "Reduced Disclosure Framework", 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, which comprise: the Balance Sheet as at 30 November 2021; the Profit and Loss Account, Statement of Comprehensive Income and 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.

#### **Conclusions relating to going concern**

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.

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

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

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

#### **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 members 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.

## **HS Marston Aerospace Limited**

### **Independent auditors' report to the members of HS Marston 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 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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 November 2021 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 members for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the members 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 members 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 members 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 members 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.

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

## HS Marston Aerospace Limited

### Independent auditors' report to the members of HS Marston Aerospace Limited

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to applicable Generally Accepted Accounting Practices, tax compliance legislation and the UK Bribery Act, 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 financial statements such as Companies Act 2006. We evaluated 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 (1) Posting inappropriate journal entries to manipulate financial results; (2) management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries, throughout the audit with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- Challenging assumptions and judgements made by management in determining significant accounting estimates (because of the risk of management bias), in particular in relation to stock provisioning, recoverability of trade debtors and pension assumptions.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### Use of this report

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

Other required reporting

#### Companies Act 2006 exception reporting

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

- we have not obtained 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 members' 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.



Alan Walsh (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands  
28 June 2022

## HS Marston Aerospace Limited

### Profit and loss account

For the year ended 30 November 2021

	Note	2021 £'000	2020 £'000 (Restated)
<b>Turnover</b>	3	<b>48,327</b>	50,764
Cost of Sales		(47,156)	(44,122)
<b>Gross Profit</b>		<b>1,171</b>	6,642
Administrative expenses		(5,778)	(12,721)
Other operating income	6	253	999
<b>Operating Loss</b>	7	<b>(4,354)</b>	(5,080)
Interest receivable and similar income	8	16,608	16,453
Interest payable and similar expenses	9	(15,350)	(14,261)
<b>Loss before taxation</b>		<b>(3,096)</b>	(2,888)
Tax on Loss	10	(413)	(294)
<b>Loss for the financial year</b>		<b>(3,509)</b>	(3,182)

All results are derived from continuing operations.

## HS Marston Aerospace Limited

### Statement of comprehensive income For the year ended 30 November 2021

	Note(s)	2021 £'000	2020 £'000 (Restated)
<b>Loss for the financial year</b>		<b>(3,509)</b>	<b>(3,182)</b>
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/ (loss) on pension scheme	22	49,280	(46,131)
Income tax relating to items not reclassified:			
- movement on deferred tax relating to pension	10 & 21	(9,192)	8,885
<b>Other comprehensive income / (expense) for the year net of tax</b>		<b>40,088</b>	<b>(37,246)</b>
<b>Total comprehensive income / (expense) for the year</b>		<b>36,579</b>	<b>(40,428)</b>

**HS Marston Aerospace Limited**  
**Registered number: 02590031**

**Balance sheet**  
**At 30 November 2021**

	Note	2021 £'000	2020 £'000 (Restated)
<b>Fixed assets</b>			
Intangible assets	12	1,248	1,248
Tangible assets	13	12,436	11,492
Right of use asset	14	29	109
Investments	15	10	10
		<b>13,723</b>	<b>12,859</b>
<b>Current assets</b>			
Stocks	16	12,649	17,940
Debtors	17	10,281	18,515
		<b>22,930</b>	<b>36,455</b>
Creditors: Amounts falling due within one year	18	<b>(22,894)</b>	(21,522)
<b>Net current assets</b>		<b>36</b>	<b>14,933</b>
<b>Total assets less current liabilities</b>		<b>13,759</b>	<b>27,792</b>
Creditors: Amounts falling due after more than one year	19	(5)	(59)
Provisions for liabilities	20	(1,222)	(1,213)
Pensions and similar obligations	22	134,852	84,285
<b>Net assets</b>		<b>147,384</b>	<b>110,805</b>
<b>Equity</b>			
Called up share capital	23	10,800	10,800
Share premium account	23	-	-
Profit and loss account		136,584	100,005
<b>Total Shareholders' funds</b>		<b>147,384</b>	<b>110,805</b>

The notes on pages 19 to 52 form part of these financial statements

The financial statements on pages 15 to 52 were approved by the board of directors on 28 June 2022 and were signed on its behalf by:



I Asghar  
 Director

## HS Marston Aerospace Limited

### Statement of changes in equity For the year ended 30 November 2021

	Called up share capital (Note 23) £'000	Share Premium account £'000	Profit and loss account £'000	Total Shareholders' funds £'000
<b>Balance at 1 December 2019</b>	<b>10,800</b>	<b>10,631</b>	<b>(1,844)</b>	<b>19,587</b>
Loss for the financial year	-	-	(3,182)	(3,182)
Other comprehensive expense for the financial year				
- Actuarial loss on pension scheme	-	-	(46,131)	(46,131)
- Deferred tax on pension surplus	-	-	8,885	8,885
<b>Total comprehensive expense for the financial year</b>	<b>-</b>	<b>-</b>	<b>(40,428)</b>	<b>(40,428)</b>
Proceeds from shares issued	-	140,000	-	140,000
Capital reduction	-	(150,631)	150,631	-
Distribution*	-	-	(8,792)	(8,792)
Deferred tax on capital distribution	-	-	438	438
<b>Balance at 30 November 2020 (Restated)</b>	<b>10,800</b>	<b>-</b>	<b>100,005</b>	<b>110,805</b>
Loss for the financial year	-	-	(3,509)	(3,509)
Other comprehensive income for the financial year				
- Actuarial gain on pension scheme	-	-	49,280	49,280
- Deferred tax on pension surplus	-	-	(9,192)	(9,192)
<b>Total comprehensive income for the financial year</b>	<b>-</b>	<b>-</b>	<b>36,579</b>	<b>36,579</b>
<b>Balance at 30 November 2021</b>	<b>10,800</b>	<b>-</b>	<b>136,584</b>	<b>147,384</b>

\* Following the transfer of pension assets and liabilities from other group companies on 31 March 2020, a distribution has been recognised representing the difference between the book value as at 31 March 2020 and the amount paid by the Company. The Company paid £129,794,000 and received £121,002,000 pension assets and obligations from the other companies which resulted in a loss of £8,792,000.

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2021

#### 1. Accounting policies

HS Marston Aerospace Limited ('the company') provides Aeroplane Parts for Intercompany and Commercial customers across the world, but predominantly in the UK and USA.

The company is a private limited company limited by shares and is incorporated and domiciled in England, United Kingdom. The address of its registered office is Wobaston Road, Fordhouses, Wolverhampton, WV10 6QJ.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and all the years presented, unless otherwise stated.

#### Basis of accounting

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The financial statements are therefore prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net recognised value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are recognised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

## **HS Marston Aerospace Limited**

### **Notes to the financial statements For the year ended 30 November 2021**

#### **1. Accounting policies (continued)**

As permitted by FRS 101, the company has taken advantage of some of the disclosure exemptions available under that standard. The key exemptions taken are as follows:

IFRS 3 - not to restate business combinations before the date of transition

IFRS 7 – financial instrument disclosures

IFRS 13 – disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities

IAS 1 – information on management of capital

IAS 7 – statement of cash flows

IAS 8 – disclosures in respect of new standards and interpretations that have been issued but are not yet effective

IAS 24 – disclosure of key management compensation and for related party disclosures entered into between two or more members of a group

IAS 1 – the requirement to present roll forward reconciliations in respect of share capital

IAS 16 – the requirement to present roll forward reconciliations in respect of property, plant and equipment

IFRS 15 – paragraphs 110b, 113a, 114, 115, 118, 119 a-c, 121-127, 129

IAS 36 – paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e), disclosures around impairment of assets

Where required, equivalent disclosures are given in the group financial statements of Raytheon Technologies Corporation. The group financial statements of Raytheon Technologies Corporation are available to the public and can be obtained as set out in note 28.

The financial statements contain information about HS Marston Aerospace Limited, as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Raytheon Technologies Corporation, a company incorporated in the United States of America.

#### **Adoption of new and revised Standards**

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 30 November 2021 have had a material impact on the company.

## **HS Marston Aerospace Limited**

### **Notes to the financial statements For the year ended 30 November 2021**

#### **1. Accounting policies (continued)**

##### **Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report also describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to cash flow risk, credit risk and liquidity risk.

The Company meets its day to day working capital requirements through a cash pooling arrangement which is centrally managed by its ultimate parent undertaking.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

##### **Research and development expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the company's engineering development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the profit and loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated recognised and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets of this class are amortised over a three year period which is consistent with the useful economic life of the asset.

##### **Derecognition of intangible assets**

An intangible asset is de-recognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, recognised in profit or loss when the asset is recognised.

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2021

#### 1. Accounting policies (continued)

##### Tangible assets

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost. Depreciation on buildings is charged to the profit and loss account.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost and any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs recognised in accordance with the company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset, less any residual value, on a straight-line basis over its expected useful life, as follows:

Land and building improvement	40 years
Machinery and equipment	3-12 years
Tooling	7 years
Furniture and fixtures	3-10 years
Software	3-5 years
Capital work in progress	no depreciation charge until transferred to appropriate class of asset upon completion

Useful lives are reviewed, and adjusted if appropriate, at the end of every reporting period.

##### Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

## **HS Marston Aerospace Limited**

### **Notes to the financial statements For the year ended 30 November 2021**

#### **1. Accounting policies (continued)**

##### **Impairment of tangible and intangible assets (continued)**

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

##### **Investments**

Except as stated below, fixed asset investments, including investments in subsidiaries and associates, are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

Impairment reviews are carried out by the directors on an annual basis, or when there is indication that impairment may have occurred.

##### **Stocks**

Stocks are stated at the lower of cost and net recognised value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net recognised value is based on estimated selling price, less further costs expected to be incurred to completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

##### **Taxation**

Current tax, UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year.

Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be recognised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

## **HS Marston Aerospace Limited**

### **Notes to the financial statements For the year ended 30 November 2021**

#### **1. Accounting policies (continued)**

##### **Taxation (continued)**

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is recognised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

##### **Current tax and deferred tax for the year**

Current and deferred tax are recognised in the profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

##### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when performance obligations have been satisfied and for the company this is when the goods or services have transferred to the customer and the customer has control of these. The company's activities are described in detail below. The company bases its estimate of the return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

##### **Sale of goods**

The company manufactures and sells a range of heat exchangers and fluid management systems. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the company has objective evidence that all criteria for acceptance have been satisfied.

##### **Over time revenue recognition**

Performance obligations are satisfied over time if the customers receive the benefits as we perform work, if the customer controls the asset being worked on, or if the product being produced for the customer has no alternative use and we have a contractual right to payment. Revenue is recognised for our maintenance, repairs and overhaul contracts on an over time basis using the cost incurred to represent work performed which corresponds with and best depicts transfer of control to the customer. Costs include labour, materials, and other direct costs.

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2021

#### 1. Accounting policies (continued)

##### Sales of services

Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on actual labour hours spent relative to the total expected labour hours.

Some contracts include multiple deliverables, such as the sale of equipment and related installation services. However, the installation is simple, does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the installation of equipment, revenue for the equipment is recognised at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the company exceeds the payment, a contract asset is recognised. If the payments exceeds the services rendered, a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised in the amount to which the company has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

##### Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled. Past service cost is recognised in profit or loss in the period of scheme amendment. Net-interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- current service cost, past-service cost and gains and losses on curtailments and settlements;
- net-interest expense or income; and
- remeasurement.

## **HS Marston Aerospace Limited**

### **Notes to the financial statements For the year ended 30 November 2021**

#### **1. Accounting policies (continued)**

##### **Pension costs (continued)**

The company presents the first two components of defined benefit costs within cost of sales and administrative expenses (see Income Statement) in its income statement. Curtailments gains and losses are accounted for as past-service cost.

Interest expense or income is recognised within finance costs and interest receivable (see note 8 and 9).

##### **Foreign currency**

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the profit and loss account in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into to hedge certain foreign currency risks.

##### **Interest payable and similar expenses**

As explained below, where financial liabilities are measured at amortised cost using the effective interest method, interest expense is recognised on an effective yield basis in the income statement within finance costs.

All other borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

##### **Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

##### **Financial assets**

Financial assets are classified into the following specified categories: at fair value through profit or loss (FVTPL); fair value through other comprehensive income (FVOCI). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

## **HS Marston Aerospace Limited**

### **Notes to the financial statements For the year ended 30 November 2021**

#### **1. Accounting policies (continued)**

##### ***Financial assets at fair value through profit or loss or at fair value through other comprehensive Income***

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the company has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the company considers this classification to be more relevant.
- Debt securities where contractual cash flows are solely principal and interest and the objective of the company's business model is achieved both by collecting contractual cash flows and selling financial assets.

##### ***Financial assets at amortised cost***

The company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

##### ***Financial assets at fair value through profit and loss***

The following financial assets are classified at fair value through profit or loss (FVTPL):

- debt investments that do not qualify for measurement at either amortised cost
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

##### **Impairment of financial assets**

##### ***Assets carried at amortised cost***

The company assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired.

##### **Trade and other receivables**

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as noncurrent assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

# HS Marston Aerospace Limited

## Notes to the financial statements For the year ended 30 November 2021

### 1. Accounting policies (continued)

#### Trade and other receivables (continued)

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The group has concluded that the expected loss rates for trade and other receivables are a reasonable approximation of the loss rates.

#### Leases

The company leases vehicles. Rental contracts are typically made for fixed periods of 6 months to 10 years but may have extension options.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. A lessee may elect an accounting policy, by asset class, to include both the lease and non-lease components as a single component and account for it as a lease (thus eliminating the pricing allocation). The Company has adopted this accounting policy election for equipment leases only.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Lease assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of vehicles were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measure on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the company under residual value guarantees;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

## **HS Marston Aerospace Limited**

### **Notes to the financial statements For the year ended 30 November 2021**

#### **1. Accounting policies (continued)**

##### **Leases (continued)**

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease for each period.

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

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of IT equipment.

##### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. Provisions are discounted where the impact of discounting is material.

##### **Onerous contracts**

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2021

#### 1. Accounting policies (continued)

##### **Warranties**

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Company's obligation.

##### **Other operating income**

Other operating income relates to money received under the UK government's Coronavirus Job Retention Scheme (CJRS). Grants which relate to revenue are recognised in income in the period the related costs are incurred by the entity for which the grant is intended to compensate. This follows the accrual model defined under IAS 1.

#### 2. Critical accounting judgements 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 historical experience and other factors that are 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.

##### **Critical judgements in applying the company's accounting policies**

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

##### **Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

##### **Useful economic lives of properties, plant and equipment**

The annual depreciation charge for property, plant and equipment is sensitive to changes in estimated useful economic lives of the assets. The useful lives of the assets are assessed on an annual basis and are amended when necessary to reflect current estimates. See note 13 for the carrying amount for the property, plant and equipment, and note 1 for the useful economic lives for each class of assets.

##### **Useful economic lives of right of use assets**

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

## **HS Marston Aerospace Limited**

### **Notes to the financial statements For the year ended 30 November 2021**

#### **2. Critical accounting judgements and key sources of estimation uncertainty (continued)**

##### **Defined Benefit Pension Scheme**

The company has an obligation to pay pension benefits to certain employees. The costs of these benefits and the present value of the obligations depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 22 for the disclosures of the defined benefit scheme.

##### **Stock provisioning**

The company's principal activity during the year was the manufacture, design and service of heat exchangers and fluid management systems for the aerospace industry. As a result it is necessary to consider the recoverability of the cost of the stock and the associated provisioning required. Management consider the nature and condition of stock, as well as apply assumptions around expected future demand for the stock, when calculating the level of stock provisioning. See note 16 for the net carrying value of stock and associated provision.

##### **Impairment of Trade receivables**

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the age profile of the receivable and historic experience. See note 17 for the net carrying amount of the receivables and the associated impairment provision.

##### **Impairment of indefinite lived intangible assets**

Determining whether the company's goodwill balance is impaired requires estimations of the revenues included within the forecasts to assess the asset's value in use. The value in use calculations require the entity to estimate the future cash flows expected to arise and suitable discount rates in order to calculate present values. The carrying amount of goodwill at the balance sheet date was £1,248,000 (2020: £1,248,000) with no impairment loss recognised in 2021 (2020: £nil).

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2021

#### 3. Turnover

An analysis of the Company's turnover is as follows:

	2021 £'000	2020 £'000 (Restated)
<b>Continuing operations</b>		
Sales of goods	45,490	46,736
Rendering of services	2,837	4,028
	<b>48,327</b>	<b>50,764</b>

An analysis of the Company's turnover by class of business is set out below:

	2021 £'000	2020 £'000 (Restated)
<b>Revenue:</b>		
Production	46,568	48,385
Engineering	1,759	2,379
	<b>48,327</b>	<b>50,764</b>

An analysis of the Company's turnover by geographical market is set out below.

	2021 £'000	2020 £'000 (Restated)
<b>Revenue:</b>		
United Kingdom	8,277	6,857
Rest of Europe	4,975	5,127
North America	30,628	33,207
Rest of the World	4,447	5,573
	<b>48,327</b>	<b>50,764</b>

In the current year, the company has identified an item incorrectly accounted for in 2020. The company has adjusted revenue and debtors by £1,081,000 for an error relating to contractual pricing. As this error was made in the comparative year, the balances as at 30 November 2020 were restated.

#### 4. Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP for the audit of the company's annual financial statements were £46,000 (2020: £138,000).

No non-audit services have been provided to the company during the year (2020: £nil).

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2021

#### 5. Staff costs

The average monthly number of employees (including executive directors) was:

	2021 Number	2020 Number
Manufacturing	207	255
Administration	98	125
	<b>305</b>	<b>380</b>

Their aggregate remuneration comprised:

	2021 £'000	2020 £'000
Wages and salaries	12,396	16,189
Social security costs	1,248	1,716
Other pension costs	3,146	2,104
	<b>16,790</b>	<b>20,009</b>

'Other pension costs' includes only those items included within operating costs. Items reported elsewhere have been excluded.

#### Directors' remuneration and transactions

	2021 £'000	2020 £'000
<b>Directors' remuneration</b>		
Emoluments	491	651
Company contributions to money purchase pension schemes	33	30
	<b>524</b>	<b>681</b>

Four directors are executives of the company and their remuneration is disclosed (2020: five).

The remaining four directors are executives of the company and also non-executive directors of a large number of fellow companies for which they carry on work. They are paid by overseas other group undertakings which makes no recharge to the company.

	2021 Number	2020 Number
<b>The number of directors who:</b>		
Are members of a money purchase pension scheme	4	5

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2021

#### 5. Staff costs (continued)

	2021 £'000	2020 £'000
<b>Remuneration of the highest paid director:</b>		
Emoluments and amounts (excluding shares) under long term incentive schemes	149	242
Company contributions to money purchase pension schemes	11	12

No transactions have been completed with directors during the year (2020: none).

There was no compensation for loss of office during the year (2020: none).

#### 6. Other operating income

	2021 £'000	2020 £'000
Government grant	253	999
	<u>253</u>	<u>999</u>

#### 7. Operating loss

Operating loss is stated after charging:

	2021 £'000	2020 £'000
Net foreign exchange (gains) / losses	(84)	274
Depreciation of tangible assets (note 13)	1,523	1,482
Depreciation of right-of use assets (note 14)	45	52
Research and development	275	961
Stock recognised as an expense	1,366	2,153
Staff costs (note 5)	<u>16,790</u>	<u>20,009</u>

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2021

#### 8. Interest receivable and similar income

	2021 £'000	2020 £'000
Interest receivable from group companies	13	127
Pensions interest income – return on assets (note 22)	16,595	16,326
	<b>16,608</b>	<b>16,453</b>

#### 9. Interest payable and similar expenses

	2021 £'000	2020 £'000
Interest payable to group companies	28	110
Pensions interest expense – defined benefit obligations (note 22)	15,322	14,151
	<b>15,350</b>	<b>14,261</b>

Finance costs have been recognised based on the applicable rates to the Company's intercompany cash pooling arrangements.

#### 10. Tax on loss

##### Tax expense included in profit or loss:

	2021 £'000	2020 £'000
<b>Current tax</b>		
UK corporation tax on profit for the year	-	-
Adjustment in respect of prior years	21	(52)
<b>Total current tax</b>	<b>21</b>	<b>(52)</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	186	300
Impact of rate change	305	107
Adjustments in respect of prior years	(99)	(61)
<b>Total deferred tax (see note 21)</b>	<b>392</b>	<b>346</b>
<b>Total tax on loss</b>	<b>413</b>	<b>294</b>

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2021

#### 10. Tax on loss (continued)

##### Factors affecting tax charge for the year

The tax on the loss before tax for the year is lower (2020: lower) than the standard rate of corporation tax in the UK for the year ended 30 November 2021 of 19% (2020: 19%). The differences are explained below:

	2021 £'000	2020 £'000
<b>Loss before taxation</b>	<b>(3,096)</b>	<b>(2,888)</b>
Tax on loss at standard UK corporation tax rate of 19% (2020: 19%)	<b>(588)</b>	<b>(549)</b>
Effects of:		
Expenses not deductible for tax purposes	<b>43</b>	<b>104</b>
Group relief for nil consideration	<b>731</b>	<b>745</b>
Re-measurement of deferred tax – changes in UK tax rates	<b>305</b>	<b>107</b>
Adjustments in respect of prior years	<b>(78)</b>	<b>(113)</b>
<b>Total tax charge for the year</b>	<b>413</b>	<b>294</b>

The tax rate for the current year is the same as the prior year.

##### Factors that may affect future tax charge

In the March 2021 Budget, the Government announced that from April 2023 the corporation tax rate would increase from 19% to 25%. The change had been substantively enacted by the balance sheet date and hence the impact of any resulting changes to the valuation of any deferred tax assets or liabilities is reflected within the financial statements.

##### Tax credit included in other comprehensive income

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income:

	2021 £'000	2020 £'000
<b>Deferred tax</b>		
Arising on income and expenses recognised in other comprehensive income:		
Movement on deferred tax relating to pension deficit	<b>9,192</b>	<b>8,885</b>
<b>Total income tax recognised in other comprehensive income</b>	<b>9,192</b>	<b>8,885</b>

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2021

#### 11. Dividends on equity shares

There were no proposed final dividend for the year ended 30 November 2021 per ordinary share (2020: nil).

#### 12. Intangible assets

	<b>Goodwill £'000</b>
<b>Cost</b>	
At 1 December 2020	1,248
At 30 November 2021	<b>1,248</b>
<hr/>	
<b>Accumulated amortisation and impairment</b>	
At 1 December 2020	-
At 30 November 2021	-
<hr/>	
<b>Net book value</b>	
At 30 November 2021	<b>1,248</b>
At 30 November 2020	<b>1,248</b>

Following the adoption of FRS 101, goodwill is no longer amortised which is different from Companies Act for the overriding purpose of giving a true and fair view. Previously the Company amortised goodwill over 15 years with an annual charge of £683,000.

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2021

#### 13. Tangible assets

	Land and Building Improvement £'000	Machinery and Equipment £'000	Tooling £'000	Furniture and Fixtures £'000	Software £'000	Capital Work in Progress £'000	Total £'000
<b>Cost</b>							
At 1 December 2020	4,019	16,771	1,502	137	189	1,378	23,996
Additions	144	2,323	-	-	-	-	2,467
Transfer between classes	-	326	-	-	-	(326)	-
At 30 November 2021	4,163	19,420	1,502	137	189	1,052	26,463
<b>Accumulated Depreciation</b>							
At 1 December 2020	2,487	8,898	834	124	161	-	12,504
Charge for the year	62	1,264	171	7	19	-	1,523
At 30 November 2021	2,549	10,162	1,005	131	180	-	14,027
<b>Net book value</b>							
At 30 November 2021	1,614	9,258	497	6	9	1,052	12,436
At 30 November 2020	1,532	7,873	668	13	28	1,378	11,492

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2021

#### 14. Right of use asset

The company has a lease contract for vehicles used in the operations. The amounts recognised in the financial statements in relation to the lease are as follows:

##### (i) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

	2021 £'000	2020 £'000
<b>Right-of-use assets</b>		
Vehicles	29	109
	<b>29</b>	<b>109</b>
<b>Lease liabilities</b>		
Current	24	50
Non-current	5	59
	<b>29</b>	<b>109</b>

Additions to the right-of-use assets during the 2021 financial year were £nil (2020: £75,000).

##### (ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2021 £'000	2020 £'000
<b>Depreciation charge of right-of-use assets</b>		
Vehicles	45	52
	<b>45</b>	<b>52</b>
Interest expense	2	3
	<b>2021 £'000</b>	<b>2020 £'000</b>

Future minimum lease payments as at 30 November are as follows:

Not later than one year	24	50
Later than one year and not later than five years	5	59
<b>Total gross payments</b>	<b>29</b>	<b>109</b>
Impact of finance expenses	-	-
<b>Carrying amount of liability</b>	<b>29</b>	<b>109</b>

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2021

#### 15. Investments

	£'000
<b>Cost</b>	
At 1 December 2020	10
At 30 November 2021	10
<b>Provisions for impairment</b>	
At 1 December 2020	-
At 30 November 2021	-
<b>Net book value at 30 November 2021 and 30 November 2020</b>	<b>10</b>

Each subsidiary listed has been treated as a subsidiary undertaking because the Group exercises dominant influence over this investment, directing its financial and operating policies.

Details of the Company's subsidiaries at 30 November 2021 and 2020 are as follows.

<b>Name &amp; Registered Address</b>	<b>Principal Activity</b>	<b>Proportion of ownership interest %</b>	<b>Proportion of voting power held %</b>
<i>Montauk (UK) Investment Holdings Limited</i> 15 Atholl Crescent, Edinburgh, Midlothian, United Kingdom, EH3 8HA	Investment holding company	100	100
<i>Farmington (UK) Investments LP</i> 15 Atholl Crescent, Edinburgh, Midlothian, United Kingdom, EH3 8HA	Acquiring and holding interest loans	100	100

The investments in subsidiaries are all stated at cost less provision for impairment.

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2021

#### 16. Stocks

	2021 £'000	2020 £'000
Raw materials and consumables	6,397	9,455
Work in progress	4,584	4,997
Finished goods and goods for resale	1,668	3,488
	<b>12,649</b>	<b>17,940</b>

The above net stock values include a provision for excess and obsolete stock of £3,391,000 (2020: £2,634,000). There is not a material difference between the carrying value of stock and the replacement value.

#### 17. Debtors

##### Amounts falling due within one year:

	2021 £'000	2020 £'000 (Restated)
Trade receivables	3,103	3,259
Amounts owed by group undertakings	6,209	5,119
Prepayments and accrued income	106	167
VAT	469	469
Current tax	89	-
Deferred tax asset (note 21)	305	9,501
	<b>10,281</b>	<b>18,515</b>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The company holds no trade and other receivable balance which fall due after more than one year (2020: nil).

Trade receivables are stated after provision for impairment of £61,000 (2020: £234,000).

In the current year, the company has identified an item incorrectly accounted for in 2020. The company has adjusted revenue and debtors by £1,081,000 for an error relating to contractual pricing. As this error was made in the comparative year, the balances as at 30 November 2020 were restated.

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2021

#### 18. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	3,744	2,914
Amounts owed to group undertakings	15,075	15,651
Accruals and deferred income	4,051	1,942
Corporation tax	-	965
Lease liability (note 14)	24	50
	<b>22,894</b>	<b>21,522</b>

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

Within the year, the company transferred its cash pooling arrangements from UT Intercompany Lending Ireland to Silver Aero Ltd and Aero GDCS. Within amounts owed to group undertakings £12,523,000 and £1,146,000 are owed respectively to the intercompany cash pooling arrangements (2020: £14,070,000).

#### 19. Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Lease liability (note 14)	5	59
	<b>5</b>	<b>59</b>

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2021

#### 20. Provisions for liabilities

	<b>EPA Reserve</b>	<b>Restructuring</b>	<b>Deferred tax liability</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 December 2020	395	343	475	1,213
Transfer of deferred tax asset	-	-	(9,426)	(9,426)
Additions to the profit and loss account	-	-	622	622
Additions to other comprehensive income	-	-	9,192	9,192
Utilisation of provision	(36)	-	-	(36)
Unused amounts reversed to the profit and loss account	-	(343)	-	(343)
<b>At 30 November 2021</b>	<b>359</b>	<b>-</b>	<b>863</b>	<b>1,222</b>

#### Environmental

The EPA reserve relates to site rectification obligations to ensure that the Wolverhampton site continues to meet environmental requirements.

#### Restructuring

The restructuring provision relates to the redundancies of various employees, the unused provision has been reversed within the year.

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2021

#### 21. Deferred tax

Deferred tax liabilities/ (assets) are provided as follows:

	Intangible assets £'000	Retirement benefit obligations £'000	Other tax items £'000	Accelerated tax depreciation £'000	Total £'000
At 1 December 2019	212	(465)	(26)	230	(49)
Charged/ (credited) to:					
-profit and loss	25	362	(49)	8	346
-equity	-	(8,885)	-	-	(8,885)
-movement arising from transfer of pension	-	(438)	-	-	(438)
<b>At 30 November 2020</b>	<b>237</b>	<b>(9,426)</b>	<b>(75)</b>	<b>238</b>	<b>(9,026)</b>
Charged/ (credited) to:					
-profit and loss	75	472	(230)	75	392
-equity	-	9,192	-	-	9,192
<b>At 30 November 2021</b>	<b>312</b>	<b>238</b>	<b>(305)</b>	<b>313</b>	<b>558</b>

At the balance sheet date, the company had no unused tax losses for 2020 and 2021 available for offset against future profits.

The provision for deferred tax consists of the following deferred tax liabilities/ (assets):

	2021 £'000	2020 £'000
Deferred tax assets due within 12 months	(305)	(75)
Deferred tax liabilities due within 12 months	313	238
Total provision due within 12 months	8	163
Deferred tax assets due after more than 12 months	-	(9,426)
Deferred tax liabilities due after more than 12 months	550	237
Total provision due after more than 12 months	550	(9,189)
<b>Total deferred tax provision</b>	<b>558</b>	<b>(9,026)</b>

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2021

#### 22. Pension and similar obligations

##### Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total cost charged to income statement of £931,000 (2020: £634,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 30 November 2021, there were nil contributions (2020: £nil) due in respect of the current reporting period that had not been paid over to the schemes.

##### Defined benefit schemes

The company has a defined benefit scheme UTC (UK) Pension Scheme – HS Marston Section which is closed to future new entrants, and was closed to accrual with effect from 31 March 2020. The defined benefit scheme is administered by a separate fund that is legally separated from the company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

Under the HS Marston Section, the majority of employees are entitled to post-retirement yearly instalments amounting to 1/60th of final salary for each complete month and year of pensionable service on attainment of a retirement age of 65. The pensionable salary is based on the yearly rate of gross salary, excluding bonuses.

The UTC UK Pension Scheme ("the Scheme") was closed to all future service benefit accruals with effect from 31 March 2020. After the year end and immediately following the Scheme closure, HS Marston Aerospace Limited was a party to the flexible apportionment arrangement ("Arrangement") under which, for the purposes of Regulation 6E(2)(b)(i) of the Occupational Pension Schemes (Employer Debt) Regulations 2005 and with effect on and from 31 March 2020. Under the Arrangement, the Company was recipient of the pension assets and obligations of the companies that left the scheme. The withdrawing companies were Claverham Limited, Page Limited, Kidde Graviner Limited, Hamilton Sundstrand International Corporation, Otis Limited Chubb fire Limited, Kidde Products Limited, Carrier Refrigeration UK Limited and UTC Fire and Security Limited.

Under the terms of the Arrangement, the Pension Trustee and HS Marston Aerospace Limited as the Remaining Company agree that:

- 1) the Scheme is not in an assessment period or being wound up;
- 2) HS Marston Aerospace Limited is not in a period of grace under Regulation 6A;
- 3) the Trustee is satisfied that an assessment period is unlikely to begin in relation to the Scheme within the next 12 months;
- 4) HS Marston Aerospace Limited will take over responsibility for all the liabilities of the withdrawing employers, in relation to the Scheme (including those listed in regulation 6ZB(17) of the Occupational Pension Schemes (Employer Debt) Regulations 2005);
- 5) The withdrawing employers are discharged from any further liability in relation to the Scheme as of 31 March 2020, and shall no longer be either a participating employer or a former employer for the purposes of, respectively, the Scheme and the Employer Debt Regulations.

This Arrangement and Executed Deed took effect on 31 March 2020, immediately following the Withdrawal Notice taking effect, in accordance with Regulation 6E(1A).

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2021

#### 22. Pension and similar obligations (continued)

The balance sheet of the withdrawing employers includes an asset (the "Pension Asset") which relates to the valuation of their respective defined benefit obligations under the Pension Scheme relative to the fair value of the Pension Scheme's assets. Following the implementation of the flexible apportionment arrangements the withdrawing employers will cease to have any entitlement to the Pension Asset. It was agreed that HS Marston Aerospace Limited will make a payment to the withdrawing employers of an amount equal to the estimated value of their respective Pension Asset (net of deferred tax) as at 31 March 2020 (using the latest market conditions available such that the payment could be made on 31 March), being the date on which the flexible apportionment arrangement is to take effect, with the difference a distribution in reserves. The Company paid £129,794,000 and received £121,002,000 pension assets and obligations from the other companies which resulted in a loss of £ 8,792,000, included as a distribution in the Statement of changes in equity. In order to provide the funding for the payment to withdrawing employers for the Pension Asset, it was proposed that the Company accept a contribution of £140,000,000 from its parent company, in exchange for issuing one ordinary share of the Company at an issue price of £140,000,000. The Company then made a capital reduction by cancelling their share premium account of £150,631,000 to generate distributable reserves.

The scheme typically exposes the company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk. The risk relating to benefits to be paid to the dependents of scheme members is re-insured by an external insurance company.

#### Defined benefit schemes (continued)

Asset volatility	The present value of the defined benefit scheme liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on scheme asset is below this rate, this could lead to deterioration in the Scheme's funding level, all other things being equal. Currently the scheme has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the scheme liabilities, the trustees of the pension fund consider it appropriate that a reasonable portion of the scheme assets should be invested in equity securities and in real estate to leverage the expected return generated by the fund.
Change in bond yields	A decrease in the bond interest rate will increase the scheme liability but this could be expected to be partially offset by an increase in the return on the scheme's debt investments.
Life expectancy	The present value of the defined benefit scheme liability is calculated by reference to the best estimate of the mortality of scheme participants both during and after their employment. An increase in the life expectancy of the scheme participants will increase the scheme's liability.
Salary risk	The present value of the defined benefit scheme liability is calculated by reference to the future salaries of scheme participants. As such, an increase in the salary of the scheme participants will increase the scheme's liability.
Inflation risk	The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the scheme against extreme inflation). Elements of the scheme's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation could also lead to deterioration in the funding position.

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2021

#### 22. Pension and similar obligations (continued)

No other post-retirement benefits are provided to these employees.

A full accounting valuation of the UTC (UK) Pension Scheme – HS Marston section as at 31 December 2020 was carried out by Willis Towers Watson, an independent firm of actuaries, using the projected unit method. This valuation was updated as at 30 November 2021 by Willis Towers Watson.

The next full accounting valuation of the Plan is due at 31 December 2023. A separate valuation is performed for cash funding. For the purposes of preparing the information disclosed in these accounts, a full actuarial valuation of the scheme was carried out at 31 December 2020 and updated to 30 November 2021 by a qualified independent actuary. The present values of the defined benefit obligation and the related current service cost were measured using the projected unit credit method and by rolling forward the results of the 31 December 2020 valuation using approximate actuarial techniques, allowing for cashflows and interest over the period, and changes in the assumptions, but no allowance for any experience, for example from actual deferred revaluation and pension increases in payment over the period differing from that expected.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2021 %	2020 %
Key assumptions used:		
Discount rate(s)	1.63	1.51
Rate of inflation	3.50	3.00
Expected rate of increase of pensions in payment (max 5%)	3.15	2.85
Average longevity at age 65 for current pensioners (years)*		
employees (future pensioners) (years)*		
Male	21.9	22.0
Female	24.0	23.6
Average longevity at age 65 for current employees (future pensioners)		
Male	23.2	23.4
Female	25.4	25.0

\* Based on standard mortality table with modifications to reflect expected changes in mortality.

Amounts recognised in income in respect of these defined benefit schemes are as follows:

	2021 £'000	2020 £'000
Service cost:		
Current service cost	-	210
Past service costs – plan amendments	-	537
Past service costs – curtailments	-	(1,074)
Administration cost	2,215	1,797
Net interest income	(1,273)	(2,175)
	942	(705)

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2021

#### 22. Pension and similar obligations (continued)

Of the expense (service cost) for the year, £nil (2020: £327,000 credit) and £2,215,000 (2020: £1,797,000) has been included in the income statement in administrative expenses. The net interest income has been included within finance income (note 8 and 9). The remeasurement of the net defined benefit liability is included in the statement of comprehensive income.

The amount included in the balance sheet arising from the company's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2021 £'000	2020 £'000
Present value of defined benefit obligations	(1,036,824)	(1,040,295)
Fair value of scheme assets	1,171,676	1,124,580
Net surplus arising from defined benefit obligation	134,852	84,285

Movements in the present value of defined benefit obligations in the year were as follows:

	2021 £'000	2020 £'000
Opening defined benefit obligation	1,040,295	85,030
Current service cost	-	210
Interest cost	15,322	14,151
Remeasurement (gains) / losses:		
Actuarial losses arising from changes in experience	16,237	-
Actuarial (gains) and losses arising from changes in demographic assumptions	(1,177)	7,413
Actuarial losses arising from changes in financial assumptions	17,300	173,208
Benefits paid	(51,153)	(30,101)
Plan participants contribution	-	3
Transfer payments	-	790,918
Past service cost - plan amendments	-	537
Past service cost - curtailments	-	(1,074)
Closing defined benefit obligation	1,036,824	1,040,295

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2021

#### 22. Pension and similar obligations (continued)

Movements in the fair value of scheme assets in the year were as follows:

	2021 £'000	2020 £'000
Opening fair value of scheme assets	1,124,580	92,884
Interest income	16,595	16,326
Remeasurement gains / (losses):		
The return on scheme assets (excluding amounts included in net interest income)	81,640	134,490
Contributions from the employer	2,229	855
Contributions from scheme participants	-	3
Benefits paid	(51,153)	(30,101)
Transfer payments	-	911,920
Administrative costs	(2,215)	(1,797)
Closing fair value of scheme assets	<u>1,171,676</u>	<u>1,124,580</u>

The major categories and fair values of scheme assets at the end of the reporting period for each category are as follows:

	2021 % Quoted	2020 % Quoted
Cash and cash equivalents	1.5	0.2
Equity instruments	4.8	4.9
Debt instruments	46.8	45.1
Property	1.8	1.7
Other	12.0	12.5
Total	<u>66.9</u>	<u>64.4</u>

	2021 % Unquoted	2020 % Unquoted
Cash and cash equivalents	2.7	1.9
Equity instruments	14.2	17.2
Debt instruments	1.6	0.3
Other	14.6	16.2
Total	<u>33.1</u>	<u>35.6</u>

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2021

#### 22. Pension and similar obligations (continued)

	2021 £'000	2020 £'000
Quoted	783,540	724,218
Unquoted	388,136	400,362
Fair value of plan assets	1,171,676	1,124,580

The actual gain on scheme assets was £98,235,000 (2020: £150,816,000).

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.1%	Decrease 2%	Increase 2%
Pension growth rate	0.1%	Increase 1%	Decrease 1%
Life expectancy	Increase by 1 year	Increase by 5%	Decrease by 5%

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting year, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The Company expects to make a contribution of £1,411,000 (2020: £1,493,000) to the defined benefit scheme during the next financial year.

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2021

#### 23. Called up share capital

##### Ordinary shares

	2021 £'000	2020 £'000
<b>Allotted and fully paid</b>		
10,800,104 (2020: 10,800,104) ordinary shares of £1 each	<b>10,800</b>	10,800

On 24 March 2020, the company issued one ordinary share at an issue price of £140,000,000 to its parent company, Commonwealth Luxembourg Holdings S.à r.l.

On 24 March 2020, the company made a capital reduction by cancelling its share premium account of £150,631,000 to generate distributable reserves.

#### 24. Financial commitments

Capital commitments are as follows:

	2021 £'000	2020 £'000
Contracts for future capital expenditure not provided in the financial statements	<b>754</b>	207
	<b>754</b>	207

#### 25. Contingent liabilities

The company participates in a cash pooling arrangement with several UK group companies. As part of a multilateral guarantee, the company is party to a cross-undertaking with the bank, its parent undertaking, fellow subsidiaries and other related companies, on a limited number of specified accounts, limited to the credit balance standing within a group wide cash pooling facility. As at 30 November 2021 there was a cash pool surplus of £501,000 (2020: £469,000) representing the bank balances of all the group companies within the cash pool.

#### 26. Related party transactions

As 100% of the company's voting rights are controlled within the Raytheon Technologies Corporation group (RTX), the company is not required pursuant to FRS 101 paragraph 8 (k) to disclose transactions with other group subsidiaries, joint venture or associated companies.

The company has not transacted with any other related parties during the year (2020: none).

## **HS Marston Aerospace Limited**

### **Notes to the financial statements For the year ended 30 November 2021**

#### **27. Subsequent events**

In response to the Russian military's invasion of Ukraine on 24 February 2022, the UK government has imposed broad economic sanctions and export controls targeting key industries, entities and individuals in Russia. These UK government measures, among other items, restrict transactions involving various Russian banks and financial institutions and impose enhanced export controls limiting transfers of various goods, software and technologies to Russia, including broadened export controls specifically targeting Russia's aerospace sector. Governments of various other jurisdictions in which RTX operates, including Canada, the U.S., the European Union and others, have implemented similar measures. RTX will continue to monitor the changes in sanctions and other developments, which may result in financial impacts on the Company and/or our supply chain, business partners or customers in future periods. Based on information available to date, we currently do not expect these incremental impacts to have any adverse material effect on the Company's financial condition, results of operations or liquidity.

On 22 December 2021 the company entered into a flexible apportionment arrangement with UTC Pension Trust Limited and Delavan Limited, under which, for the purposes of the Regulation 6E(2)(b)(i) of the Occupation Pension Schemes (Employer Debt) Regulations 2005 ("Employer Debt Regulations") and with effect on and from 22 December 2021. Under the Arrangement, the Company was recipient of all pension assets, liabilities and obligations under the Scheme attributable to Delavan Limited. The company paid £975,000 and received £2,109,000 pension assets and obligations.

#### **28. Controlling party**

The company's immediate parent undertaking until 30 November 2021 was Commonwealth Luxembourg Holdings S.à r.l..

On 30 November 2021, the company's immediate parent undertaking changed to Keeney Hill Limited.

The company's ultimate parent undertaking and controlling party is Raytheon Technologies Corporation, a company incorporated in the United States of America.

Raytheon Technologies Corporation is the smallest and largest group to consolidate these financial statements.

The registered office of Raytheon Technologies Corporation is located at 870 Winter Street, Waltham, MA 02451, United States of America. Copies of their financial statements are publicly available and can be obtained from [www.rtx.com](http://www.rtx.com).

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2021

#### 29. Restatement of Prior Year Financial Statements

In the current year, the company has identified an item incorrectly accounted for in 2020. The company has adjusted revenue and debtors by £1,081,000 for an error relating to contractual pricing. As this error was made in the comparative year, the balances as at 30 November 2020 were restated as below:

	<i>Note</i>	<b>2020 Restated £'000</b>	<b>2020 Original £'000</b>	<b>Variance £'000</b>
<b>Profit and loss account:</b>				
Revenue	<b>3</b>	<b>50,764</b>	49,683	1,081
<b>Balance sheet:</b>				
Debtors	<b>17</b>	18,515	17,434	1,081
<b>Reserves:</b>				
Profit and loss account at 1 December 2019		(1,844)	(1,844)	-
Loss for the financial year		(3,182)	(4,263)	1,081
Other comprehensive expense		(37,246)	(37,246)	-
Capital reduction		150,631	150,631	-
Distribution		(8,792)	(8,792)	-
Deferred tax on capital distribution		438	438	-
Profit and loss account at 30 November 2020		<b>100,005</b>	<b>98,924</b>	<b>1,081</b>