

CRANFIELD AEROSPACE SOLUTIONS LIMITED
STRATEGIC REPORT,
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30TH SEPTEMBER 2023

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2023**

	Page
Company Information	1
Strategic Report	2
Report of the Directors	4
Report of the Independent Auditors	6
Statement of Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Cash Flow Statement	13
Notes to the Cash Flow Statement	14
Notes to the Financial Statements	16

**COMPANY INFORMATION
FOR THE YEAR ENDED 30TH SEPTEMBER 2023**

DIRECTORS:

Dr P A Craig
I G Gray CBE
P Hutton
F Illat
Dr J J Traynor
S N Zawaideh

REGISTERED OFFICE:

Trent House, (Part) 1st Floor
University Way
Wharley End
Cranfield
Bedfordshire
MK43 0AN

REGISTERED NUMBER:

02415720 (England and Wales)

AUDITORS:

HW Bedford Limited
First Floor, Woburn Court
2 Railton Road
Woburn Rd Ind Est
Kempston
Bedfordshire
MK42 7PN

**STRATEGIC REPORT
FOR THE YEAR ENDED 30TH SEPTEMBER 2023**

The directors present their strategic report for the year ended 30th September 2023.

REVIEW OF BUSINESS

The Directors have over the past few years restructured and made improvements to the Company's strategy enabling them to build on the many years of expertise delivering innovative design solutions to the world's leading aerospace companies. It is now structured to target those markets and segments, which are more closely aligned with the Company's core and developing capabilities. The new main focus is the development of hydrogen propulsion and in particular zero emission hydrogen fuel cell technology.

The company's mission is to deliver the world's first passenger carrying zero emission aircraft using Hydrogen fuel cell propulsion. The strategy to achieve this is based on developing hydrogen fuel cell electrically driven powertrains in a modular fashion that can be fitted to a range of air vehicles. The powertrains will range in size from 125Kw through to 500kW enabling them to be used in small passenger aircraft, cargo drones and in auxiliary power units (APUs) for single and twin aisle aircraft.

Hydrogen propulsion, and the company's technology and delivery plans are expected to lead to a significant volume of incremental business in future years. The plan is based on developing a modular solution that can be built to service numerous markets within the aviation/aerospace sector but also has applicability in other sectors such as marine and automotive. Given the costs associated with the Research & Development in the start of FRESSON stage 1, the Company recorded a net loss of £4,264k (2022: a net loss of £2,276k).

To fund this first stage of the R&D activity, the company undertook an external Series A fundraise of £14.4m. Cranfield Group Holdings Limited remain a shareholder in the company, but now hold a significantly diluted percentage ownership than previously held.

During the year, the Company received £5,490k in convertible loan notes and will be looking to raise further finance with a Series B investment round to enable the Company to finish developing the prototype and carry out a test flight in 2025.

Financial key performance indicators

The Directors and Executive Management Team review a range of financial and non-financial key performance indicators to monitor the health of the business.

Revenues were £2,191k compared to £3,155k of the previous year and gross margin was 6.6% compared to 23% of the previous year. The decrease in margin is due to management primarily focussing on the Hydrogen aircraft rather than the commercial side of the business.

The Directors believe that the outstanding order book and importantly the opportunities generated from Project FRESSON should allow the Company to grow substantially in its re-aligned core business in the coming years.

**STRATEGIC REPORT
FOR THE YEAR ENDED 30TH SEPTEMBER 2023**

PRINCIPAL RISKS AND UNCERTAINTIES

The success of the Company's strategy is subject to a number of risks, these are recognised and managed by the Directors and the Senior Management Team as part of a formalised and documented Risk Management System.

- Safety risk - Safety and the management of is a primary consideration when making decisions in an aerospace and aviation environment. This is elevated when considering Cranfield Aerospace Solutions is at the vanguard of delivering in new and innovative fuel technology. The company has always had a proactive and integrated approach to safety and this is incorporated into the Company's Safety Management System. The pillars that support this are meshed with regulatory requirements, good governance and the necessary organisational structures, accountabilities, policies, and procedures. It interfaces with other critical management functions such as Health & Safety, financial and compliance monitoring.

- Economic conditions - The Directors keep abreast of economic conditions and have modified and adopted policies and strategies to reflect changing market conditions in so far as they have been able to. This is pertinent to the investment market which has been suppressed of late, albeit forecasters are suggesting improvements lie ahead. Nonetheless, it has been a factor in the Series B fundraising round. There is still an investment market pull towards sustainability and given the Company's focus on Project FRESSON and next generation aircraft the Directors believe that it is well placed over the medium term, despite any short term lumps and bumps.

- Liquidity risk - Liquidity risk is mitigated by ensuring that working capital is tightly controlled and that sufficient fundraising activities are in place which are commensurate with the level of business being undertaken.

- Competition - The main focus of the Company means that there are few competitors in the hydrogen space and if more were to enter, there is ample room to grow for the foreseeable future. For the P&L parts of the business, most of the activity is centred on niche markets, which place Cranfield Aerospace Solutions in a primary position.

ON BEHALF OF THE BOARD:

P Hutton - Director

22nd May 2024

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30TH SEPTEMBER 2023**

The directors present their report with the financial statements of the company for the year ended 30th September 2023.

DIVIDENDS

The Directors do not recommend the payment of a dividend (2022: nil).

DIRECTORS

The directors shown below have held office during the whole of the period from 1st October 2022 to the date of this report.

Dr P A Craig
I G Gray CBE
P Hutton
F Illat
Dr J J Traynor
S N Zawaideh

FINANCIAL INSTRUMENTS

All assets and liabilities are considered basic financial instruments and measured at amortised cost, apart from Convertible loan notes which are recognised at fair value using a reasonable estimate of the company's cost of capital, with the difference between this rate and the coupon rate being used to calculate the equity element of the loans.

POLITICAL DONATIONS AND EXPENDITURE

The Company made no political contributions during the year (2022: nil).

GOING CONCERN AND LIQUIDITY RISK

In adopting the going concern basis for preparing the Financial Statements, the Directors have considered the Company's business activities, together with the factors likely to affect its future development, performance and position as well as the Company's principal risks and uncertainties as set out in the Strategic Review on pages 2 and 3. Furthermore, the Directors ensure that suitable objectives, policies and processes for managing capital, financial and liquidity risks are in place.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30TH SEPTEMBER 2023**

AUDITORS

The auditors, HW Bedford Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

P Hutton - Director

22nd May 2024

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CRANFIELD AEROSPACE SOLUTIONS LIMITED

Opinion

We have audited the financial statements of Cranfield Aerospace Solutions Limited (the 'company') for the year ended 30th September 2023 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30th September 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
CRANFIELD AEROSPACE SOLUTIONS LIMITED**

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CRANFIELD AEROSPACE SOLUTIONS LIMITED

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 a Report of the Auditors 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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:

- Identifying and assessing the controls management has in place to prevent and detect fraud;
- Understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
- Challenging assumptions and judgments made by management in its significant accounting estimates and judgments.
- Identifying and testing journal entries, in particular journal entries posted with unusual account combinations; and
- Assessing the extent of compliance with the relevant laws and regulations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations are from the events and transactions reflected in the financial statements, the less likely we would become aware of it. 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 collusions.

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the accounting policy disclosure pages.

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
CRANFIELD AEROSPACE SOLUTIONS LIMITED**

Use of our report

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

Alberto Di Lorenzo FCA (Senior Statutory Auditor)
for and on behalf of HW Bedford Limited
First Floor, Woburn Court
2 Railton Road
Woburn Rd Ind Est
Kempston
Bedfordshire
MK42 7PN

22nd May 2024

**STATEMENT OF COMPREHENSIVE
INCOME
FOR THE YEAR ENDED 30TH SEPTEMBER 2023**

	Notes	Year Ended 30/9/23 £	Period 1/8/21 to 30/9/22 £
TURNOVER	3	2,190,732	3,155,271
Cost of sales		<u>2,046,007</u>	<u>2,423,054</u>
GROSS PROFIT		144,725	732,217
Administrative expenses		<u>4,244,567</u> (4,099,842)	<u>3,431,784</u> (2,699,567)
Other operating income		<u>-</u>	<u>52,520</u>
OPERATING LOSS	5	(4,099,842)	(2,647,047)
Interest receivable and similar income		<u>13,588</u> (4,086,254)	<u>980</u> (2,646,067)
Interest payable and similar expenses	6	<u>300,713</u> (4,386,967)	<u>50,549</u> (2,696,616)
LOSS BEFORE TAXATION			
Tax on loss	7	<u>(123,146)</u> (4,263,821)	<u>(420,000)</u> (2,276,616)
LOSS FOR THE FINANCIAL YEAR			
OTHER COMPREHENSIVE INCOME			
Revaluation of tangible fixed assets		(15,946)	64,289
Share option reserve		199,791	238,042
Loan notes - equity		1,436,936	-
Income tax relating to components of other comprehensive income		<u>-</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		<u>1,620,781</u>	<u>302,331</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(2,643,040)</u>	<u>(1,974,285)</u>

The notes form part of these financial statements

BALANCE SHEET
30TH SEPTEMBER 2023

	Notes	2023 £	£	2022 £	£
FIXED ASSETS					
Intangible assets	8		13,215,311		3,545,297
Tangible assets	9		<u>298,816</u>		<u>371,797</u>
			13,514,127		3,917,094
CURRENT ASSETS					
Stocks	10	1,020,359		349,531	
Debtors	11	1,767,455		2,215,322	
Cash at bank		<u>2,589,600</u>		<u>5,029,709</u>	
		5,377,414		7,594,562	
CREDITORS					
Amounts falling due within one year	12	<u>3,999,230</u>		<u>2,112,168</u>	
NET CURRENT ASSETS			<u>1,378,184</u>		<u>5,482,394</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			14,892,311		9,399,488
CREDITORS					
Amounts falling due after more than one year	13		(5,490,323)		-
PROVISIONS FOR LIABILITIES	17		<u>(31,561)</u>		<u>(40,000)</u>
NET ASSETS			<u>9,370,427</u>		<u>9,359,488</u>
CAPITAL AND RESERVES					
Called up share capital	18		4,962,703		4,170,163
Share premium	19		10,863,531		9,002,092
Revaluation reserve	19		48,342		64,288
Share option reserve	19		437,834		238,043
Equity - Loan Notes	19		1,436,936		-
Retained earnings	19		<u>(8,378,919)</u>		<u>(4,115,098)</u>
SHAREHOLDERS' FUNDS			<u>9,370,427</u>		<u>9,359,488</u>

The financial statements were approved by the Board of Directors and authorised for issue on 22nd May 2024 and were signed on its behalf by:

P Hutton - Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH SEPTEMBER 2023**

	Called up share capital £	Retained earnings £	Share premium £	
Balance at 1st August 2021	1,000,000	(1,838,482)	1,350,000	
Changes in equity				
Issue of share capital	3,170,163	-	7,652,092	
Total comprehensive income	-	(2,276,616)	-	
Balance at 30th September 2022	<u>4,170,163</u>	<u>(4,115,098)</u>	<u>9,002,092</u>	
Changes in equity				
Issue of share capital	792,540	-	1,861,439	
Total comprehensive income	-	(4,263,821)	-	
Balance at 30th September 2023	<u>4,962,703</u>	<u>(8,378,919)</u>	<u>10,863,531</u>	
	Revaluation reserve £	Share option reserve £	Equity - Loan Notes £	Total equity £
Balance at 1st August 2021	-	-	-	511,518
Changes in equity				
Issue of share capital	-	-	-	10,822,255
Total comprehensive income	64,288	238,043	-	(1,974,285)
Balance at 30th September 2022	<u>64,288</u>	<u>238,043</u>	<u>-</u>	<u>9,359,488</u>
Changes in equity				
Issue of share capital	-	-	-	2,653,979
Total comprehensive income	(15,946)	199,791	1,436,936	(2,643,040)
Balance at 30th September 2023	<u>48,342</u>	<u>437,834</u>	<u>1,436,936</u>	<u>9,370,427</u>

The notes form part of these financial statements

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH SEPTEMBER 2023**

	Notes	Year Ended 30/9/23 £	Period 1/8/21 to 30/9/22 £
Cash flows from operating activities			
Cash generated from operations	1	(681,139)	(3,221,627)
Interest paid		(300,713)	(50,549)
Taxation refund		181,732	-
Net cash from operating activities		<u>(800,120)</u>	<u>(3,272,176)</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(9,670,014)	(3,545,297)
Purchase of tangible fixed assets		(143,158)	(181,895)
Sale of tangible fixed assets		-	160,240
Interest received		13,588	980
Net cash from investing activities		<u>(9,799,584)</u>	<u>(3,565,972)</u>
Cash flows from financing activities			
New loans in year		5,490,323	-
Related party loans		15,293	(808,538)
Share issue		792,540	3,170,163
Share premium		1,861,439	7,652,092
Net cash from financing activities		<u>8,159,595</u>	<u>10,013,717</u>
(Decrease)/increase in cash and cash equivalents		<u>(2,440,109)</u>	<u>3,175,569</u>
Cash and cash equivalents at beginning of year	2	5,029,709	1,854,140
Cash and cash equivalents at end of year	2	<u>2,589,600</u>	<u>5,029,709</u>

The notes form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH SEPTEMBER 2023

1. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	Year Ended 30/9/23 £	Period 1/8/21 to 30/9/22 £
Loss before taxation	(4,386,967)	(2,696,616)
Depreciation charges	168,836	172,786
Loss/(profit) on disposal of fixed assets	22,400	(135,420)
Share option reserve	199,791	238,043
Equity loan notes	1,436,936	-
Revaluation reserve	(15,946)	64,288
Finance costs	300,713	50,549
Finance income	(13,588)	(980)
	<u>(2,287,825)</u>	<u>(2,307,350)</u>
Increase in stocks	(670,828)	(131,291)
Decrease/(increase) in trade and other debtors	266,135	(98,496)
Increase/(decrease) in trade and other creditors	2,011,379	(684,490)
Cash generated from operations	<u>(681,139)</u>	<u>(3,221,627)</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 30th September 2023

	30/9/23 £	1/10/22 £
Cash and cash equivalents	<u>2,589,600</u>	<u>5,029,709</u>

Period ended 30th September 2022

	30/9/22 £	1/8/21 £
Cash and cash equivalents	<u>5,029,709</u>	<u>1,854,140</u>

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH SEPTEMBER 2023

3. ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)

	At 1/10/22 £	Cash flow £	At 30/9/23 £
Net cash			
Cash at bank	<u>5,029,709</u>	<u>(2,440,109)</u>	<u>2,589,600</u>
	<u>5,029,709</u>	<u>(2,440,109)</u>	<u>2,589,600</u>
Debt			
Debts falling due after 1 year	<u>-</u>	<u>(5,490,323)</u>	<u>(5,490,323)</u>
	<u>-</u>	<u>(5,490,323)</u>	<u>(5,490,323)</u>
Total	<u>5,029,709</u>	<u>(7,930,432)</u>	<u>(2,900,723)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2023**

1. **STATUTORY INFORMATION**

Cranfield Aerospace Solutions Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. **ACCOUNTING POLICIES**

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

The financial statements are presented in sterling which is the functional currency of the company and rounded to the nearest £.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Critical accounting judgements and key sources of estimation uncertainty

Measurement of revenue and resulting profit recognition: Due to the size and complexity of some of the company's contracts and inherent uncertainty involved in estimation of the costs to complete, there are significant judgments to be applied, including the measurement and timing of revenue recognition and the recognition of related balance sheet items (such as income in advance and contract work in progress) that result from the performance of the contract.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH SEPTEMBER 2023

2. ACCOUNTING POLICIES - continued

Turnover

Turnover comprises the invoiced value of goods and services supplied by the Company exclusive of Value Added Tax. Revenue is recognised on long and medium term contracts appropriate to the stage of completion of the contract provided that the outcome of each contract can be assessed with reasonable certainty. Amounts receivable from customers in excess of amounts recorded as turnover are included in creditors as income in advance. Amounts recorded as turnover in excess of amounts receivable from customers are included in trade debtors as amounts recoverable on contracts.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Patents and licences have been fully amortised in the current year.

Ground Control Station have been fully amortised in the current year.

Development costs is being amortised evenly over its estimated useful life of five years.

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Patents and licences have been fully amortised in the prior year. The Ground Control Station has been fully amortised in the prior year.

Development costs, which include expenses incurred on the creation of a prototype are amortised over the estimate useful life of five years. The amortisation commences once the development of the prototype has been completed.

Tangible fixed assets

Tangible fixed assets are stated at cost or revalued amounts and depreciated over their expected useful economic lives as follows:

- Plant and machinery, fixtures and fittings, tools and equipment - 3 to 10 years
- Leasehold improvements -the shorter of the lease and useful economic life of the assets

Items or groups of items with a cost of less than £1,000 (other than IT equipment) are written off to the statement of comprehensive income as incurred.

Stocks

Stock is stated at the lower of cost and estimated selling price less costs to complete and sell. Stock is recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the first in, first out (FIFO) method. Costs includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the stock to its present location and condition.

At the end of each reporting period, stock is assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit & loss account. Where a reversal if the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH SEPTEMBER 2023

2. ACCOUNTING POLICIES - continued

Financial instruments

All assets and liabilities are considered basic financial instruments and measured at amortised costs, apart from the Convertible Loan Notes which are recognised at fair value using a reasonable estimate of the company's cost of capital. The difference between this rate and the coupon rate is used to calculate the equity element of the loans and shown in reserves.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years and available group relief.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research and development

There is ongoing research and development work performed within the company. Costs of this work are charged to the profit and loss account as incurred when not sponsored. Where expenditure is capitalised in respect of projects which are assessed as being reasonably certain regarding commercial viability and technical feasibility, such expenditure will be amortised over a period not exceeding 5 years, commencing once the development of the project has been completed.

Foreign currencies

Forward contracts are taken out against all major contracts where there is a foreign exchange exposure. Where covered by formal contracts, transactions are recorded at the rates of exchange prevailing in those contracts. Other foreign transactions are recorded at the rates of exchange applied by the company's bankers at the time of receipt or payment.

There were no forward contracts in place at either 30 September 2023 or 30 September 2022.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of comprehensive income.

Hire purchase and leasing commitments

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

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH SEPTEMBER 2023

2. ACCOUNTING POLICIES - continued

The company is party to a group defined contribution pension scheme administered by AVIVA. The assets of the scheme are held separately from those of the company. The company is also a member of a defined benefit scheme which is funded for the benefit of its employees. The assets of the scheme are administered by trustees in a fund independent from those of the company. The cost of the pension has been recognised in the profit and loss account for the relevant period.

Warranty provision

The company offers warranty cover in respect of component and build defects, which become apparent within the contracted period of warranty offered following purchase. A provision is recognised based on the expected net cost of warranty claims which has been calculated on the level of past actual warranty claims received.

Provisions

Provisions are recognised when the company has a present obligation, related to a past event and it is probable that an outflow of economic benefit will be required to settle the obligation, and a reliable estimate of that obligation can be made.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and call deposits.

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method less any impairment losses in case of trade debtors. If the arrangement constitutes a financing transaction for example if payment is deferred beyond normal business terms, then it is measured at present value of future payments discounted at a market value of interest for a similar debt instrument.

Going concern

The directors have considered the cash flow requirements of the Company for the next 12 months and beyond and have concluded that the expected grant money to be received plus Series B investment to be raised will enable the Company to achieve its objectives and continue to develop the hydrogen propelled fuel cell prototype, whilst being able to meet any debts that fall due.

3. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	Year Ended 30/9/23 £	Period 1/8/21 to 30/9/22 £
United Kingdom	<u>2,190,732</u>	<u>3,155,271</u>
	<u>2,190,732</u>	<u>3,155,271</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH SEPTEMBER 2023

4. EMPLOYEES AND DIRECTORS

	Year Ended 30/9/23	Period 1/8/21 to 30/9/22
	£	£
Wages and salaries	2,011,408	2,386,751
Social security costs	21,446	26,110
Other pension costs	47,290	40,968
	<u>2,080,144</u>	<u>2,453,829</u>

The average number of employees during the year was as follows:

	Year Ended 30/9/23	Period 1/8/21 to 30/9/22
Administrative	21	10
Management	6	4
Technical	70	69
	<u>97</u>	<u>83</u>

	Year Ended 30/9/23	Period 1/8/21 to 30/9/22
	£	£
Directors' remuneration	192,967	324,514
Directors' pension contributions to money purchase schemes	<u>47,290</u>	<u>40,968</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>1</u>	<u>1</u>
------------------------	----------	----------

Direct labour costs incurred in the development phase of the first prototype of £3,909,068. (2022:£1,749,046) were capitalised into development costs.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH SEPTEMBER 2023

5. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	Year Ended 30/9/23 £	Period 1/8/21 to 30/9/22 £
Other operating leases	48,753	38,704
Depreciation - owned assets	184,782	172,784
Loss/(profit) on disposal of fixed assets	22,400	(135,420)
Auditors' remuneration	25,000	34,356
Foreign exchange differences	<u>6,687</u>	<u>10,379</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year Ended 30/9/23 £	Period 1/8/21 to 30/9/22 £
Interest - loan notes	256,759	-
Other loan interest	29,470	6,174
Interest on late tax payment	<u>14,484</u>	<u>44,375</u>
	<u>300,713</u>	<u>50,549</u>

7. TAXATION

Analysis of the tax credit

The tax credit on the loss for the year was as follows:

	Year Ended 30/9/23 £	Period 1/8/21 to 30/9/22 £
Current tax:		
UK corporation tax	<u>(123,146)</u>	<u>(420,000)</u>
Tax on loss	<u>(123,146)</u>	<u>(420,000)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH SEPTEMBER 2023

7. TAXATION - continued**Reconciliation of total tax credit included in profit and loss**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	Year Ended 30/9/23 £	Period 1/8/21 to 30/9/22 £
Loss before tax	<u>(4,386,967)</u>	<u>(2,696,616)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 22% (2022 - 19%)	(965,133)	(512,357)
Effects of:		
Unrecognised deferred tax	-	(123,386)
R&D tax credits	300,000	420,000
Development costs capitalised	-	(204,257)
Under/(overprovision) of tax in prior year	(176,854)	-
Un-utilised losses	718,841	-
Total tax credit	<u>(123,146)</u>	<u>(420,000)</u>

Tax effects relating to effects of other comprehensive income

	2023		
	Gross £	Tax £	Net £
Revaluation of tangible fixed assets	(15,946)	-	(15,946)
Share option reserve	199,791	-	199,791
Loan notes - equity	<u>1,436,936</u>	-	<u>1,436,936</u>
	<u>1,620,781</u>	<u>-</u>	<u>1,620,781</u>
	1/8/21 to 30/9/22		
	Gross £	Tax £	Net £
Revaluation of tangible fixed assets	64,289	-	64,289
Share option reserve	<u>238,042</u>	-	<u>238,042</u>
	<u>302,331</u>	<u>-</u>	<u>302,331</u>

On 1 April 2023 the main rate of Corporation Tax in the UK increased to 25%.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH SEPTEMBER 2023

8. INTANGIBLE FIXED ASSETS

	Development costs £
COST	
At 1st October 2022	3,545,297
Additions	9,670,014
At 30th September 2023	<u>13,215,311</u>
NET BOOK VALUE	
At 30th September 2023	<u>13,215,311</u>
At 30th September 2022	<u>3,545,297</u>

Development costs are in relation to the capitalisation of directly attributable costs for the production of a hydrogen fuelled prototype aircraft.

9. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST OR VALUATION				
At 1st October 2022	558,073	33,183	610,316	1,201,572
Additions	20,164	-	122,994	143,158
Disposals	(67,200)	-	-	(67,200)
Revaluations	(8,957)	-	-	(8,957)
At 30th September 2023	<u>502,080</u>	<u>33,183</u>	<u>733,310</u>	<u>1,268,573</u>
DEPRECIATION				
At 1st October 2022	367,738	12,730	449,307	829,775
Charge for year	98,395	7,237	79,150	184,782
Eliminated on disposal	(44,800)	-	-	(44,800)
At 30th September 2023	<u>421,333</u>	<u>19,967</u>	<u>528,457</u>	<u>969,757</u>
NET BOOK VALUE				
At 30th September 2023	<u>80,747</u>	<u>13,216</u>	<u>204,853</u>	<u>298,816</u>
At 30th September 2022	<u>190,335</u>	<u>20,453</u>	<u>161,009</u>	<u>371,797</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH SEPTEMBER 2023

9. TANGIBLE FIXED ASSETS - continued

Cost or valuation at 30th September 2023 is represented by:

	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
Valuation in 2022	20,427	-	43,862	64,289
Valuation in 2023	(4,935)	-	(11,011)	(15,946)
Cost	<u>486,588</u>	<u>33,183</u>	<u>700,459</u>	<u>1,220,230</u>
	<u>502,080</u>	<u>33,183</u>	<u>733,310</u>	<u>1,268,573</u>

10. STOCKS

	2023 £	2022 £
Stocks	<u>1,020,359</u>	<u>349,531</u>

The stocks are stated after a provision for slowing moving/obsolete items of £241,464 (2022: £nil).

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £	2022 £
Trade debtors	542,064	235,670
Doubtful debt provision	(7,493)	(42,881)
Other debtors	557	4,680
Tax	598,268	780,000
VAT	-	234,220
Accrued income	88,650	737,311
Prepayments	<u>545,409</u>	<u>266,322</u>
	<u>1,767,455</u>	<u>2,215,322</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £	2022 £
Trade creditors	2,779,361	1,050,126
Amounts owed to participating interests	270,252	199,462
Social security and other taxes	138,699	455,417
VAT	35,648	-
Other creditors	125,340	128,323
Accruals and deferred income	<u>649,930</u>	<u>278,840</u>
	<u>3,999,230</u>	<u>2,112,168</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH SEPTEMBER 2023

13. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2023 £	2022 £
Convertible loan notes (see note 14)	<u>5,490,323</u>	<u>-</u>

14. **LOANS**

An analysis of the maturity of loans is given below:

	2023 £	2022 £
Amounts falling due between two and five years:		
Convertible Loan Notes - 2-5 years	<u>5,490,323</u>	<u>-</u>
	<u>5,490,323</u>	<u>-</u>

On 20 April 2023 convertible loan notes were issued for £4,045,000 with an 8% coupon interest rate. The loan notes are redeemable in cash after 3 years from the issue date unless certain criteria are satisfied and then the loan notes convert to equity.

On 28 September 2023 convertible loans notes were issued for £2,375,000 with a 10% coupon interest rate. The loan notes are redeemable in cash after 3 years from the issue date unless certain criteria are satisfied and then the loan notes convert to equity.

The debt element of the convertible loan notes at the year end was £5,490,323 and the equity component was £1,436,936.

15. **LEASING AGREEMENTS**

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2023 £	2022 £
Within one year	251,837	40,166
Between one and five years	862,534	95,408
In more than five years	<u>919,716</u>	<u>-</u>
	<u>2,034,087</u>	<u>135,574</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH SEPTEMBER 2023

16. SECURED DEBTS

The following secured debts are included within creditors:

	2023	2022
	£	£
Convertible loan notes	<u>5,490,323</u>	<u>-</u>

Tawazun Strategic Development Fund Llc as Security Trustee has a fixed and floating charge over all property.

17. PROVISIONS FOR LIABILITIES

	2023	2022
	£	£
Other provisions	<u>31,561</u>	<u>40,000</u>
		Other provisions
		£
Balance at 1st October 2022		40,000
Provided during year		<u>(8,439)</u>
Balance at 30th September 2023		<u>31,561</u>

The level of warranty provision at the end of the year arises from Directors' estimates and an analysis of historic warranty costs of products delivered together with the number of products under warranty at the year end.

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2023	2022
			£	£
1,000,000	Ordinary	£1	1,000,000	1,000,000
3,962,703	Series A preferred	£1	<u>3,962,703</u>	<u>3,170,163</u>
			<u>4,962,703</u>	<u>4,170,163</u>

792,540 Series A preferred shares of £1 each were allotted as fully paid at a premium of £2.64 per share during the year.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH SEPTEMBER 2023

19. RESERVES

	Retained earnings £	Share premium £	Revaluation reserve £
At 1st October 2022	(4,115,098)	9,002,092	64,288
Deficit for the year	(4,263,821)		
Bonus share issue	-	1,861,439	-
Transfer from revaluation	-	-	(15,946)
At 30th September 2023	<u>(8,378,919)</u>	<u>10,863,531</u>	<u>48,342</u>
	Share option reserve £	Equity - Loan Notes £	Totals £
At 1st October 2022	238,043	-	5,189,325
Deficit for the year			(4,263,821)
Bonus share issue	-	-	1,861,439
Transfer from revaluation	-	-	(15,946)
Movement in reserves	<u>199,791</u>	<u>1,436,936</u>	<u>1,636,727</u>
At 30th September 2023	<u>437,834</u>	<u>1,436,936</u>	<u>4,407,724</u>

The share option reserve represents the cumulative amounts charged to the profit and loss account in respect of employee share option arrangements where the scheme has not yet been settled by means of an award of shares to an individual.

The share premium account represents shares subscribed for at a premium of £2.64 per share.

20. PENSION COMMITMENTS

The employer pension costs expensed in the period were £597k (2022: £587k).

21. RELATED PARTY DISCLOSURES

During the year the Company purchased services from Cranfield University, a related party to Cranfield Group Holdings Limited, a shareholder. The amounts involved were as follows;

Rent, service charges and utilities - £422,078 (2022, £199,462)
Interest charges - £31,069 (2022, £nil)

These transactions were deemed to be at market rate.

22. ULTIMATE CONTROLLING PARTY

By virtue of the shareholdings, the directors do not consider there to be an ultimate controlling party.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30TH SEPTEMBER 2023

23. **DEFINED BENEFIT SCHEME**

The Company is party to the Universities Superannuation Scheme, a defined benefit scheme, which is funded for the benefit of some of its employees. The assets of the scheme are administered by Trustees in a fund independent from the Company and the Company makes contributions to the scheme based on the requirements set down by the scheme's Trustees. The Company chose to offer the defined contribution scheme described at 13.2 below to new employees some years ago and so the number of staff that are members of the defined benefit scheme has been falling over a number of years. This trend is set to continue and so the Company chose not to accrue for potential pension liabilities which in its estimation are unlikely to crystallise before its members, who participate in the defined benefit scheme, have retired at which point the Company will not have any further obligations to the scheme.

24. **DEFINED CONTRIBUTION SCHEME**

The company is party to a group defined contribution pension scheme administered by AVIVA. The assets of the scheme are held separately from those of the company.

25. **SHARE BASED PAYMENT TRANSACTIONS**

The company operates an approved EMI scheme to its employees.

Employees are granted share options in the company as part of the employee share scheme. The options are granted with a fixed exercise price and are exercisable one year after the date of grant and expire ten year after the date of grant.

Employees are not entitled to dividends until the shares are exercised. They are required to remain in employment with the company until exercise, otherwise the awards lapse. On exercise of the options by the employees, the company issues equity shares.

A reconciliation of share option movement over the period to 30 September 2023 is shown below:

	No	Exercise Price
Granted	872,825	1,767,983
Forfeited	-	-
Outstanding at 30 September 2022	872,825	1,767,983
Granted	206,159	750,419
Forfeited	(276,325)	(522,369)
Outstanding at 30 September 2023	802,659	1,996,033

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