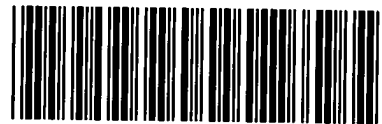


**HS Marston Aerospace Limited**

**Annual Report  
for the year ended 30 November 2023**

Registered number: 02590031

WEDNESDAY



\*ADAH44MZ\*

A3

28/08/2024

#152

COMPANIES HOUSE

## **HS Marston Aerospace Limited**

### **Contents**

	<b>Page (s)</b>
<b>Strategic report for the year ended 30 November 2023</b>	<b>1-6</b>
<b>Directors' report for the year ended 30 November 2023</b>	<b>7-10</b>
<b>Independent auditors' report to the members of HS Marston Aerospace Limited</b>	<b>11-13</b>
<b>Profit and loss account for the year ended 30 November 2023</b>	<b>14</b>
<b>Statement of comprehensive income for the year ended 30 November 2023</b>	<b>15</b>
<b>Balance sheet as at 30 November 2023</b>	<b>16</b>
<b>Statement of changes in equity for the year ended 30 November 2023</b>	<b>17</b>
<b>Notes to the financial statements for the year ended 30 November 2023</b>	<b>18-50</b>

## **HS Marston Aerospace Limited**

### **Strategic report for the year ended 30 November 2023**

The directors present their strategic report for the company for the year ended 30 November 2023.

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

At 30 November 2023 the company was a subsidiary of RTX Corporation.

#### **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 Corporation.

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

- Sales – 31.7% increase in 2023 (2022: 41.8% increase);
- Gross profit margin is 11.2% in 2023 (2022: 10.8%);
- Operating profit of £2,167,000 in 2023 (2022: profit of £1,150,000);
- Stock days increased to 110 days in 2023 (2022: 101 days);
- Profit for the financial year of £3,360,000 (2022: profit £2,600,000);
- Total shareholders' funds have decreased to £100,015,000 in 2023 (2022: £117,479,000); and
- Current assets as % of current liabilities 280.1% (2022 restated: 387.6%).

The growth in the company's performance within the year is as a result of increase in air travel to historic levels. This has improved the requirement for aftermarket spares which has increased by 100% year on year. In addition, following the Russia invasion of Ukraine, RTX Corporation have withdrawn from a joint venture company based in Russia manufacturing heat exchangers. Consequently, the manufacture of these parts was transferred to HS Marston which has resulted in investments in new equipment and recruitment of skilled personnel.

#### **Operations**

The company operates lean manufacturing principles by utilising RTX Corporation'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 2023.

#### **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 2023. Environmental and Health & Safety accreditations, ISO 14001 and OHSAS 18001 were successfully maintained and further good progress recorded for five environmental metrics.

## **HS Marston Aerospace Limited**

### **Strategic report for the year ended 30 November 2023**

#### **Review of the business (continued)**

##### *Quality*

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

#### **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 Corporation audit function.

##### **Russian Invasion of Ukraine**

In February 2022 Russia invaded Ukraine. In response additional financial, trade, and travel sanctions were imposed on Russia and Belarus by some members of the International Community. The company does not trade or hold assets in Russia, Belarus or Ukraine and therefore is not directly affected. However, the economic knock-on effects of sanctions and the Black Sea blockade will inevitably have short to long term effects as we have seen the ramifications in increased energy prices, jump in inflation and interest rates. Given the global effects the conditions are likely to remain fluid and complex.

## **HS Marston Aerospace Limited**

### **Strategic report for the year ended 30 November 2023**

#### **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.

#### **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 Corporation 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 has a Culture Council whereby employees engage in events such as sustainability and improving the environment.

## **HS Marston Aerospace Limited**

### **Strategic report for the year ended 30 November 2023**

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

**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.

##### **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 Corporation 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.

## HS Marston Aerospace Limited

### Strategic report for the year ended 30 November 2023

#### 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.

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

	2023 Consumption (kWh)	2022 Consumption (kWh)
Grid-Supplied Electricity (Scope 2)	8,008,436	7,271,205
Natural Gas (Scope 1)	4,779,619	4,325,962
<b>Total</b>	<b>12,788,055</b>	<b>11,597,167</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:

	2023 Consumption (tCO <sub>2</sub> e)	2022 Consumption (tCO <sub>2</sub> e)
Grid-Supplied Electricity (Scope 2)	1,658	1,406
Natural Gas (Scope 1)	872	796
<b>Total</b>	<b>2,530</b>	<b>2,202</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:

	2023 Intensity Metric	2022 Intensity Metric
tCO <sub>2</sub> e/£m revenue	28	32

## **HS Marston Aerospace Limited**

### **Strategic report for the year ended 30 November 2023**

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

##### **Reporting Methodology**

Scope 1 and 2 consumption and CO<sub>2</sub>e emission data has been calculated in line with the 2023 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 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 2023 revenue figure. Both individual sources and total emissions tCO<sub>2</sub>e were combined and then divided by this figure to determine the tCO<sub>2</sub>e per metric.

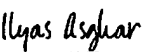
##### **Future developments**

The directors expect to see continued growth and development under RTX Corporation due to benefits derived from economies of scale.

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

Details of significant events since the balance sheet date are contained in note 25 of the financial statements.

Approved by the Board and signed on its behalf by:

DocuSigned by:  
  
DF8F765DFE934B9

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

22 August 2024

## **HS Marston Aerospace Limited**

### **Directors' report for the year ended 30 November 2023**

The Directors present their report and the audited financial statements of the company for the year ended 30 November 2023.

#### **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 page 6 and form part of this report by cross-reference.

#### **Research and development**

During 2023 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 2023 and will continue through 2024.

#### **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 2023**

#### **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 14 - 17.

There were £nil dividends proposed, declared and paid in the year (2022: £nil).

#### **Employee Involvement**

Details of employee involvement can be found in the Strategic Report on page 3 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 pages 5 and 6 and form part of this report by cross-reference.

#### **Political Donations**

No donations were made to political parties during the year (2022: nil).

## **HS Marston Aerospace Limited**

### **Directors' report for the year ended 30 November 2023**

#### **Directors**

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

Dr U Raab (resigned 11 March 2024)  
A McHugh  
C Nicholson  
I Asghar  
P A Hill (appointed 07 August 2023)  
R Paulekas (resigned 07 August 2023)

#### **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 2023**

#### **Directors' confirmations**

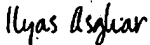
In the case of each directors in office at the date the Directors' Report is approved:

- 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:

DocuSigned by:  
  
DF8F7650FE934B9

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

22 August 2024

## **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 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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: Balance Sheet as at 30 November 2023; 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, comprising material accounting policy information and other explanatory information.

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

## **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 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

#### **Responsibilities for the financial statements and the audit**

##### **Responsibilities of the directors for the financial statements**

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

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

##### **Auditors' responsibilities for the audit of the financial statements**

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

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 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 and tax compliance legislation. 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:

- Identification and testing of journal entries that meet our defined risk criteria;
- 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;
- 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 and intercompany receivables and pension assumptions.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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 directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Alan Walsh (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands  
22 August 2024

**HS Marston Aerospace Limited**

**Profit and loss account**

**For the year ended 30 November 2023**

	Note	2023 £'000	2022 £'000
Turnover	3	90,287	68,533
Cost of Sales		(80,192)	(61,164)
<b>Gross Profit</b>		<b>10,095</b>	<b>7,369</b>
Administrative expenses		(7,928)	(6,219)
<b>Operating Profit</b>	6	<b>2,167</b>	<b>1,150</b>
Interest receivable and similar income	7	34,453	19,100
Interest payable and similar expenses	8	(30,977)	(16,771)
<b>Profit before taxation</b>		<b>5,643</b>	<b>3,479</b>
Tax on Profit	9	(2,283)	(879)
<b>Profit for the financial year</b>		<b>3,360</b>	<b>2,600</b>

All results are derived from continuing operations.

**HS Marston Aerospace Limited****Statement of comprehensive income  
For the year ended 30 November 2023**

	Note(s)	2023 £'000	2022 £'000
<b>Profit for the financial year</b>		<b>3,360</b>	<b>2,600</b>
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on pension scheme	20	(27,765)	(44,770)
Income tax relating to items not reclassified:			
- movement on deferred tax relating to pension	9 & 19	6,941	11,193
<b>Other comprehensive expense for the year net of tax</b>		<b>(20,824)</b>	<b>(33,577)</b>
<b>Total comprehensive expense for the year</b>		<b>(17,464)</b>	<b>(30,977)</b>

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

**Balance sheet**  
**At 30 November 2023**

	Note	2023 £'000	2022 £'000 (Restated*)
<b>Fixed assets</b>			
Intangible assets	10	1,248	1,248
Tangible assets	11	23,953	19,667
Right of use asset	12	247	86
Investments	13	10	10
		<b>25,458</b>	<b>21,011</b>
<b>Current assets</b>			
Stocks	14	24,174	16,897
Debtors	15	31,096	21,735
Pensions and similar obligations	20	68,150	93,367
		<b>123,420</b>	<b>131,999</b>
Creditors: Amounts falling due within one year	16	<b>(44,061)</b>	<b>(34,055)</b>
<b>Net current assets</b>		<b>79,359</b>	<b>97,944</b>
<b>Total assets less current liabilities</b>		<b>104,817</b>	<b>118,955</b>
Creditors: Amounts falling due after more than one year	17	<b>(170)</b>	<b>(48)</b>
Provisions for liabilities	18	<b>(4,632)</b>	<b>(1,428)</b>
<b>Net assets</b>		<b>100,015</b>	<b>117,479</b>
<b>Equity</b>			
Called up share capital	21	10,800	10,800
Profit and loss account		89,215	106,679
<b>Total Shareholders' funds</b>		<b>100,015</b>	<b>117,479</b>

\* See note 27 for details of the restatement.

The notes on pages 18 to 50 form part of these financial statements

The financial statements on pages 14 to 50 were approved by the board of directors on 22 August 2024 and were signed on its behalf by:

DocuSigned by:  
  
 DF8F765DFE93489  
**I Asghar**  
 Director

**HS Marston Aerospace Limited****Statement of changes in equity  
For the year ended 30 November 2023**

	Called up share capital (Note 21) £'000	Profit and loss account £'000	Total Shareholders' funds £'000
<b>Balance at 1 December 2021</b>	<b>10,800</b>	<b>136,584</b>	<b>147,384</b>
<b>Profit for the financial year</b>	-	2,600	2,600
<b>Other comprehensive expense for the financial year</b>			
- Actuarial loss on pension scheme	-	(44,770)	(44,770)
- Deferred tax on pension surplus	-	11,193	11,193
<b>Total comprehensive expense for the financial year</b>	-	<b>(30,977)</b>	<b>(30,977)</b>
Capital contribution*	-	1,134	1,134
Deferred tax on capital contribution	-	(62)	(62)
<b>Balance at 30 November 2022</b>	<b>10,800</b>	<b>106,679</b>	<b>117,479</b>
<b>Profit for the financial year</b>	-	3,360	3,360
<b>Other comprehensive expense for the financial year</b>			
- Actuarial loss on pension scheme	-	(27,765)	(27,765)
- Deferred tax on pension surplus	-	6,941	6,941
<b>Total comprehensive expense for the financial year</b>	-	<b>(17,464)</b>	<b>(17,464)</b>
<b>Balance at 30 November 2023</b>	<b>10,800</b>	<b>89,215</b>	<b>100,015</b>

\* Following the transfer of pension assets and liabilities from Delavan Limited on 22 December 2021, a capital contribution has been recognised representing the difference between the book value as at 31 December 2021 and the amount paid by the Company. The Company paid £975,000 and received £2,109,000 pension assets and obligations from the other companies which resulted in a gain of £1,134,000.

## **HS Marston Aerospace Limited**

### **Notes to the financial statements For the year ended 30 November 2023**

#### **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 2023**

#### **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, 120-127, 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 RTX Corporation. The group financial statements of RTX Corporation are available to the public and can be obtained as set out in note 26.

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, RTX 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 2023 have had a material impact on the company.

## **HS Marston Aerospace Limited**

### **Notes to the financial statements For the year ended 30 November 2023**

#### **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 2023**

**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 2023**

#### **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 2023**

#### **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.

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 2023**

#### **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 2023**

#### **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 7 and 8).

##### **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 2023.**

#### **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 2023**

#### **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 2023**

#### **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 2023**

#### **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.

#### **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.

##### **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, 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 20 for the disclosures of the defined benefit scheme.

##### **Defined Benefit Pension Assets**

Included in the other / unquoted asset class is the value of the Plan's holding in a Secure Income Fund. The fund's latest audited financial statements included a disclaimer of opinion regarding the valuation of its investment in a Ground Rent Unit Trust. This is a result of possible implications of the Building Safety Act 2022 and its secondary legislation, such as the Leasehold and Freehold Reform Bill. Subsequent to year end, the valuation of the investment property portfolio within the Ground Rents Fund remains subject to a material valuation uncertainty. The value of the Secure Income Fund apportioned to the pension assets of the company is £32,400,000. This includes exposure to the Ground Rent Unit Trust (estimated £4,500,000) linked to an uncertainty valuation from its valuer. In determining the impact to the company, management has reviewed sensitivity analysis performed by the Investment Manager, concluding that the estimated impact would be a potential reduction in the asset value up to £2,700,000 when factoring in the proportion of assets allocated to the company, and subsequent information. Management concludes that the valuation of the pension asset is management's best estimate of its fair value at the balance sheet date.

Included within the pension scheme assets at year end are two asset backed contribution arrangements. The assets are valued using an actuarial approach with discounted cash flows. The data inputs and assumptions are judgemental which can impact the estimated value of the assets. These include the discount rate and probability of cash flows being received based on a stochastic analysis from December 2022 being the best available information to the company and best estimate of fair value. The valuations are performed by independent advisors.

## **HS Marston Aerospace Limited**

### **Notes to the financial statements For the year ended 30 November 2023**

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

##### **Defined Benefit Pension Assets (continued)**

The payment of the coupons and the redemption payment are conditional on the funding level of the scheme on a "buy out" basis (the estimated cost of securing annuities to match the liabilities of the scheme) in the future. As such it may be that not all these payments are made in the future (or are not paid in full). The Trustees' covenant advisors provided a valuation which includes an allowance for the probability that future cashflows from the Asset Backed Contribution (ABC) are not paid in full, based on the most recently available stochastic analysis of the future funding level of the scheme performed by the actuarial and investment advisors to the Trustees'. The actuarial report is based on the Scheme's funding level as at 31 December 2022, and the Company is comfortable using these probabilities for the current year end, considering the minimal changes in funding level and asset strategy since that date. The valuation performed by Trustees' covenant advisors is based on market conditions as at the 2023 year-end date.

The view of the Company is that this valuation falls within the definition of an acceptable fair value for the ABC at the accounting date and no independent modelling has been undertaken on behalf of the Company. Changes in the asset strategy by the Trustees' need to be discussed with the Company in advance.

##### Net Defined Benefit Surplus

The net defined benefit surplus of £68,150,000 (2022: £93,367,000) is recognised to the extent that the company ultimately have ability to access the surplus assets via a refund.

In 2016, the Company received legal advice in respect of the recognition of surplus in light of IFRIC 14. This advice confirmed that the Trustees' do not have a unilateral right to surplus. Based on this advice, and in line with the disclosures for the year ending 30 November 2022, no asset ceiling has been applied to the Net Defined Benefit Asset based on the current version of IFRIC 14.

##### **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 11 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.

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, 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 20 for the disclosures of the defined benefit scheme.

## **HS Marston Aerospace Limited**

### **Notes to the financial statements For the year ended 30 November 2023**

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

##### **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 14 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 15 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 (2022: £1,248,000) with no impairment loss recognised in 2023 (2022: £nil).

##### **Recoverability of Intercompany receivables**

Management reviews the recoverability of intercompany receivables at the balance sheet date. The evaluation requires the use of estimation based on a credit assessment of the probability of default of the counterparty. The carrying amount of loans to other group companies at the balance sheet date was £7,404,000 (2022: £5,595,000) with no provision considered necessary in 2023 or 2022.

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2023

#### 3. Turnover

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

	2023 £'000	2022 £'000
Sales of goods	86,303	65,088
Rendering of services	3,984	3,445
	<b>90,287</b>	<b>68,533</b>

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

	2023 £'000	2022 £'000
Production	89,011	67,041
Engineering	1,276	1,492
	<b>90,287</b>	<b>68,533</b>

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

	2023 £'000	2022 £'000
United Kingdom	6,841	7,231
Rest of Europe	6,378	3,711
North America	75,164	56,520
Rest of the World	1,904	1,071
	<b>90,287</b>	<b>68,533</b>

#### 4. Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP for the audit of the company's annual financial statements were £52,000 (2022: £51,000).

No non-audit services have been provided to the company during the year (2022: £nil).

**HS Marston Aerospace Limited**

**Notes to the financial statements  
For the year ended 30 November 2023**

**5. Staff costs**

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

	<b>2023</b>	<b>2022</b>
	<b>Number</b>	<b>Number</b>
Manufacturing	<b>272</b>	<b>217</b>
Administration	<b>145</b>	<b>109</b>
	<b>417</b>	<b>326</b>

Their aggregate remuneration comprised:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	<b>18,935</b>	<b>14,285</b>
Social security costs	<b>2,021</b>	<b>1,568</b>
Other pension costs	<b>1,391</b>	<b>3,553</b>
	<b>22,347</b>	<b>19,406</b>

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

**Directors' remuneration and transactions**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Directors' remuneration</b>		
Emoluments	<b>337</b>	<b>330</b>
Company contributions to money purchase pension schemes	<b>23</b>	<b>23</b>
	<b>360</b>	<b>353</b>

Two directors are executives of the company and their remuneration is disclosed (2022: two).

The remaining two 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.

	<b>2023</b>	<b>2022</b>
	<b>Number</b>	<b>Number</b>
<b>The number of directors who:</b>		
Are members of a money purchase pension scheme	<b>2</b>	<b>2</b>

**HS Marston Aerospace Limited**

**Notes to the financial statements  
For the year ended 30 November 2023**

**5. Staff costs (continued)**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Remuneration of the highest paid director:</b>		
Emoluments and amounts (excluding shares) under long term incentive schemes	<b>192</b>	<b>177</b>
Company contributions to money purchase pension schemes	<b>13</b>	<b>12</b>

No transactions have been completed with directors during the year (2022: none).

There was no compensation for loss of office during the year (2022: none).

**6. Operating profit**

Operating profit is stated after charging / (crediting):

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Net foreign exchange losses/ (gains)	<b>277</b>	<b>(117)</b>
Depreciation of tangible assets (note 11)	<b>2,277</b>	<b>1,734</b>
Depreciation of right-of use assets (note 12)	<b>57</b>	<b>37</b>
Loss on disposal of fixed assets (note 11)	<b>5</b>	<b>-</b>
Research and development	<b>646</b>	<b>387</b>
Impairment of inventory (note 14)	<b>1,580</b>	<b>1,210</b>
Staff costs (note 5)	<b>22,347</b>	<b>19,406</b>

**7. Interest receivable and similar income**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Interest receivable from group companies	<b>-</b>	<b>133</b>
Pensions interest income – return on assets (note 20)	<b>34,450</b>	<b>18,967</b>
Other interest receivable	<b>3</b>	<b>-</b>
	<b>34,453</b>	<b>19,100</b>

**HS Marston Aerospace Limited****Notes to the financial statements  
For the year ended 30 November 2023****8. Interest payable and similar expenses**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable to group companies	728	39
Pensions interest expense – defined benefit obligations (note 20)	30,249	16,732
	<b>30,977</b>	<b>16,771</b>

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

**9. Tax on profit****Tax expense included in profit or loss:**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>		
UK corporation tax on profit for the year	-	-
<b>Total current tax</b>	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	1,098	594
Impact of rate change	95	187
Adjustments in respect of prior years	1,090	98
<b>Total deferred tax (see note 19)</b>	<b>2,283</b>	<b>879</b>
<b>Total tax on profit</b>	<b>2,283</b>	<b>879</b>

**Factors affecting tax charge for the year**

The tax on the profit before tax for the year is higher (2022: higher) than the standard rate of corporation tax in the UK for the year ended 30 November 2023 of 23.01% (2022: 19%). The differences are explained below:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit before taxation</b>	<b>5,643</b>	<b>3,479</b>
Tax on profit at standard UK corporation tax rate of 23.01% (2022: 19%)	1,298	661
Effects of:		
Expenses not deductible for tax purposes	26	1
Group relief for nil consideration	(198)	(68)
Impact of tax rate changes	95	187
Adjustments in respect of prior years	1,090	98
Tax incentives	(28)	-
<b>Total tax charge for the year</b>	<b>2,283</b>	<b>879</b>

**HS Marston Aerospace Limited**

**Notes to the financial statements  
For the year ended 30 November 2023**

**9. Tax on profit (continued)**

**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.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The Company has applied the exception allowed by an amendment to IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

**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:

	<b>2023</b>	2022
	<b>£'000</b>	£'000
<b>Deferred tax</b>		
Arising on income and expenses recognised in other comprehensive income:		
Movement on deferred tax relating to pension deficit	<b>(6,941)</b>	(11,193)
<b>Total income tax recognised in other comprehensive income</b>	<b>(6,941)</b>	(11,193)

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2023

#### 10. Intangible assets

	Goodwill £'000
<b>Cost</b>	
At 1 December 2022	1,248
At 30 November 2023	1,248
<b>Accumulated amortisation and impairment</b>	
At 1 December 2022	-
At 30 November 2023	-
<b>Net book value</b>	
At 30 November 2023	1,248
At 30 November 2022	1,248

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.

#### 11. 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 2022	4,118	20,449	2,316	88	382	7,452	34,805
Additions	557	2,158	2,992	-	55	806	6,568
Transfer between classes	84	1,027	132	-	-	(1,243)	-
Disposals	-	(104)	-	(5)	-	-	(109)
At 30 November 2023	4,759	23,530	5,440	83	437	7,015	41,264
<b>Accumulated Depreciation</b>							
At 1 December 2022	2,366	11,401	1,116	82	173	-	15,138
Charge for the year	106	1,643	470	1	57	-	2,277
Disposals	-	(104)	-	-	-	-	(104)
At 30 November 2023	2,472	12,940	1,586	83	230	-	17,311
<b>Net book value</b>							
At 30 November 2023	2,287	10,590	3,854	-	207	7,015	23,953
At 30 November 2022	1,752	9,048	1,200	6	209	7,452	19,667

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2023

#### 12. 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:

	2023 £'000	2022 £'000
<b>Right-of-use assets</b>		
Vehicles	247	86
	<b>247</b>	<b>86</b>
<b>Lease liabilities</b>		
Current	77	38
Non-current	170	48
	<b>247</b>	<b>86</b>

Additions to the right-of-use assets during the 2023 financial year were £228,000 (2022: £94,000).

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

The income statement shows the following amounts relating to leases:

	2023 £'000	2022 £'000
<b>Depreciation charge of right-of-use assets</b>		
Vehicles	57	37
	<b>57</b>	<b>37</b>
Interest expense	4	2
	<b>2023 £'000</b>	<b>2022 £'000</b>

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

Not later than one year	77	38
Later than one year and not later than five years	170	48
<b>Total gross payments</b>	<b>247</b>	<b>86</b>
<b>Impact of finance expenses</b>	<b>-</b>	<b>-</b>
<b>Carrying amount of liability</b>	<b>247</b>	<b>86</b>

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2023

#### 13. Investments

	£'000
<b>Cost</b>	
At 1 December 2022	10
At 30 November 2023	10
<hr/>	
<b>Net book value at 30 November 2023 and 30 November 2022</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 2023 and 2022 are as follows.

Name & Registered Address	Principal Activity	Proportion of ownership interest %	Proportion of voting power held %
<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 of Nil (2022: nil).

#### 14. Stocks

	2023 £'000	2022 £'000
Raw materials and consumables	17,467	11,347
Work in progress	5,182	4,426
Finished goods and goods for resale	1,525	1,124
	<b>24,174</b>	<b>16,897</b>

The above net stock values include a provision for excess and obsolete stock of £5,866,000 (2022: £4,153,000). There is not a material difference between the carrying value of stock and the replacement value.

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2023

#### 15. Debtors

Amounts falling due within one year:	2023 £'000	2022 £'000
Trade receivables	4,048	3,495
Amounts owed by group undertakings	7,404	5,595
Prepayments and accrued income	183	68
VAT	1,612	818
Current tax	880	969
Deferred tax asset (note 19)	66	191
	<b>14,193</b>	<b>11,136</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 except for deferred tax (2022: nil).

Trade receivables are stated after provision for impairment of £115,000. (2022: £106,000).

Amounts falling due after more than one year:	2023 £'000	2022 £'000
Deferred tax asset (note 19)	16,903	10,599
	<b>16,903</b>	<b>10,599</b>

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profit is probable. The recognition at year end is supported by the Company's cashflow projections.

	2023 £'000	2022 £'000
Amounts falling due within one year	14,193	11,136
Amounts falling due after more than one year	16,903	10,599
<b>Total Debtors</b>	<b>31,096</b>	<b>21,735</b>

**HS Marston Aerospace Limited****Notes to the financial statements  
For the year ended 30 November 2023****16. Creditors: amounts falling due within one year**

	2023 £'000	2022 £'000
Trade creditors	7,658	7,160
Amounts owed to group undertakings	30,265	18,113
Accruals and deferred income	6,061	8,744
Lease liability (note 12)	77	38
	<b>44,061</b>	<b>34,055</b>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Included within amounts owed to group undertakings is £6,670,000 (2022: £15,193,000) and £51,000 (2022: £2,199,000) relating to the intercompany cash pooling arrangements with Silver Aero Ltd and Aero GDCS.

**17. Creditors: amounts falling due after more than one year**

	2023 £'000	2022 £'000
Lease liability (note 12)	170	48
	<b>170</b>	<b>48</b>

**18. Provisions for liabilities**

	Warranty £'000	EPA Reserve £'000	Deferred tax liability £'000	Total £'000
At 1 December 2022	-	332	1,096	1,428
Additions to the profit and loss account	1,750	-	1,521	3,271
Utilisation of provision	-	(67)	-	(67)
<b>At 30 November 2023</b>	<b>1,750</b>	<b>265</b>	<b>2,617</b>	<b>4,632</b>

**Environmental**

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

**Warranty**

The warranty provision relates to costs expected to redesign a heat exchanger currently in service. The costs are expected to be incurred within 2 years, being a typical design timeframe.

**HS Marston Aerospace Limited**

**Notes to the financial statements  
For the year ended 30 November 2023**

**19. 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 2021	312	238	(305)	313	558
Charged/ (credited) to:					
-profit and loss	-	294	114	471	879
-equity	-	(11,193)	-	-	(11,193)
-movement arising from transfer of pension	-	62	-	-	62
<b>At 30 November 2022</b>	<b>312</b>	<b>(10,599)</b>	<b>(191)</b>	<b>784</b>	<b>(9,694)</b>
Charged/ (credited) to:					
-profit and loss	-	637	125	1,521	2,283
-equity	-	(6,941)	-	-	(6,941)
<b>At 30 November 2023</b>	<b>312</b>	<b>(16,903)</b>	<b>(66)</b>	<b>2,305</b>	<b>(14,352)</b>

At the balance sheet date, the company had no unused tax losses for 2022 and 2023 available for offset against future profits.

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

	2023 £'000	2022 £'000
Deferred tax assets due within 12 months	(66)	(191)
Deferred tax liabilities due within 12 months	2,305	784
Total provision due within 12 months	2,239	593
Deferred tax assets due after more than 12 months	(16,903)	(10,599)
Deferred tax liabilities due after more than 12 months	312	312
Total provision due after more than 12 months	(16,591)	(10,287)
<b>Total deferred tax provision</b>	<b>(14,352)</b>	<b>(9,694)</b>

## **HS Marston Aerospace Limited**

### **Notes to the financial statements For the year ended 30 November 2023**

#### **20. Pensions 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 £1,391,000 (2022: £1,063,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 30 November 2023, there were nil contributions (2022: £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.

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.

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

In conjunction with the merger, an Asset-Backed Contribution (ABC) structure was implemented. The ABC structure consists of two ABCs, both in favour of the UTC (UK) Pension Scheme, with one funded by Goodrich Aftermarket Services Limited (the "UTC ABC") and the other funded by Goodrich Controls Holdings Limited (the "Goodrich ABC"). These ABCs pay two annual coupons and a lump sum redemption payment in 2036. The value of the ABC structure as at 30 November 2023 from the Trustees' covenant adviser has been provided by RTX in March 2024. Details of the arrangement, and the cashflows, are set out in that report.

**HS Marston Aerospace Limited**

**Notes to the financial statements  
For the year ended 30 November 2023**

**20. Pensions and similar obligations (continued)**

**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.
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.

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 2023 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 2023 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.

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2023

#### 20. Pensions and similar obligations (continued)

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

	2023 %	2022 %
Key assumptions used:		
Discount rate(s)	5.27	4.50
Rate of Retail Price Inflation (RPI)	3.30	3.30
Rate of Consumer Price Inflation (CPI)	2.60	2.90
Life Expectancy of a Male aged 65 now*	21.7	21.7
Life Expectancy of a Female aged 65 now*	23.9	23.8
Life Expectancy of a Male aged 65 in 15 years*	22.6	22.5
Life Expectancy of a Female aged 65 in 15 years*	25.0	24.9

\* 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:

	2023 £'000	2022 £'000
Administration cost	1,994	2,490
Net interest income	(4,201)	(2,235)
	<b>(2,207)</b>	<b>255</b>

Of the expense for the year £1,994,000 (2022: £2,490,000) has been included in the income statement in administrative expenses. The net interest income has been included within finance income (note 7 and 8). 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:

	2023 £'000	2022 £'000
Present value of defined benefit obligations	(635,995)	(691,780)
Fair value of scheme assets	704,145	785,147
Net surplus arising from defined benefit obligation	<b>68,150</b>	<b>93,367</b>

**HS Marston Aerospace Limited**

**Notes to the financial statements  
For the year ended 30 November 2023**

**20. Pensions and similar obligations (continued)**

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

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Opening defined benefit obligation	691,780	1,036,824
Administration costs and taxes	1,994	2,490
Interest cost	30,249	16,732
Remeasurement (gains) / losses:		
Actuarial losses arising from changes in experience	1,155	27,600
Actuarial losses arising from changes in demographic assumptions	-	1,080
Actuarial gains arising from changes in financial assumptions	(48,023)	(356,067)
Disbursements from Plan Assets	(41,160)	(48,738)
Transfer payments	-	11,859
Closing defined benefit obligation	<b>635,995</b>	<b>691,780</b>

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

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Opening fair value of scheme assets	785,147	1,171,676
Interest income	34,450	18,967
Remeasurement gains / (losses):		
The return on scheme assets (excluding amounts included in net interest income)	(74,633)	(372,157)
Contributions from the employer	341	1,431
Disbursements	(41,160)	(48,738)
Transfer payments	-	13,968
Closing fair value of scheme assets	<b>704,145</b>	<b>785,147</b>

The actual loss on scheme assets was £40,183,000 (2022: £353,190,000 loss).

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2023

#### 20. Pensions and similar obligations (continued)

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

	2023 Quoted £'000	2022 Quoted £'000
Cash and cash equivalents	16,299	12,994
Equities	6	14,496
Bonds	532,700	498,854
Real estate	-	18,012
Other	33,743	66,808
<b>Total</b>	<b>582,748</b>	<b>611,164</b>

	2023 Unquoted £'000	2022 Unquoted £'000
Cash and cash equivalents	(145,984)	(36,198)
Equities	59,705	59,475
Bonds	-	3,152
Real estate	3,404	-
ABC	99,268	105,053
Other	105,004	42,501
<b>Total</b>	<b>121,397</b>	<b>173,983</b>

	2023 £'000	2022 £'000
Quoted	582,748	611,164
Unquoted	121,397	173,983
<b>Fair value of plan assets</b>	<b>704,145</b>	<b>785,147</b>

Included in the other / unquoted asset class is the value of the Plan's holding in a Secure Income Fund. The fund's latest audited financial statements included a disclaimer of opinion regarding the valuation of its investment in a Ground Rent Unit Trust. This is a result of possible implications of the Building Safety Act 2022 and its secondary legislation, such as the Leasehold and Freehold Reform Bill. Subsequent to year end, the valuation of the investment property portfolio within the Ground Rents Fund remains subject to a material valuation uncertainty. The value of the Secure Income Fund apportioned to the pension assets of the company is £32,400,000. This includes exposure to the Ground Rent Unit Trust (estimated £4,500,000) linked to an uncertainty valuation from its valuer. In determining the impact to the company, management has reviewed sensitivity analysis performed by the Investment Manager, concluding that the estimated impact would be a potential reduction in the asset value up to £2,700,000 when factoring in the proportion of assets allocated to the company, and subsequent information. Management concludes that the valuation of the pension asset is management's best estimate of its fair value at the balance sheet date.

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2023

#### 20. Pensions and similar obligations (continued)

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.

	Change in assumption	Impact on defined benefit obligation	
		Increase in obligation	Decrease in obligation
Discount rate	0.50%	Decrease 5.9%	Increase 5.9%
Pension growth rate (RPI)	0.25%	Increase 1.3%	Decrease 1.3%
Pension growth rate (CPI)	0.25%	Increase 0.5%	Decrease 0.5%
Life expectancy	Increase by 1 year	Increase by 4%	Decrease by 4%

The Defined Benefit Obligation at 30 November 2023 was £635,995,000.

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.

In addition, the disclosed position as at 30 November 2023 is also sensitive to assumptions used to value the ABC. The key assumption used is the discount rate. An increase/(decrease) of 1% per year in the ABC discount rate would increase/(decrease) the total FRS101 surplus at 30 November 2023 by some £9,000,000. Additionally, the value of the ABC includes an allowance that payments are not made/ not made in full because the funding level of the Scheme is sufficiently high. While a number of assumptions feed into this probability, the main impact of these assumptions is to change the expected level of the bullet payment, made in 2036, but there is also a lesser impact on some of the coupon payments. If all future payments from the ABC were assumed to be paid in full, then the disclosed surplus would increase by some £28,000,000. If the scheme was sufficiently funded at the end of the term agreement, the bullet payment would not be received.

In July 2024 the Court of Appeal dismissed an appeal against the High Court's 2023 ruling in Virgin Media Limited v NTL Pension Trustees II Limited. This ruling questions the validity of certain past amendments made to the rules of then contracted out schemes. The Company will work with the Trustees in the coming months to consider any potential impact on the liabilities apportioned to the Company. At this stage, the Company is not aware of, and no allowance has been made in the calculations for, the benefits being different from those described in the Plan's governing documents due to execution risks such as those arising in the Virgin Media case or other conflicts with legislation.

## HS Marston Aerospace Limited

### Notes to the financial statements For the year ended 30 November 2023

#### 21. Called up share capital

##### Ordinary shares

	2023 £'000	2022 £'000
<b>Allotted and fully paid</b>		
10,800,104 (2022: 10,800,104) ordinary shares of £1 each	10,800	10,800

#### 22. Financial commitments

Capital commitments are as follows:

	2023 £'000	2022 £'000
Contracts for future capital expenditure not provided in the financial statements	438	235
	<b>438</b>	<b>235</b>

#### 23. 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 2023 there was a cash pool surplus of £417,000 (2022: £498,000) representing the bank balances of all the group companies within the cash pool.

#### 24. Related party transactions

As 100% of the company's voting rights are controlled within the RTX Corporation, 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 (2022: none).

#### 25. Subsequent events

There have been no significant changes since the balance sheet date.

#### 26. Controlling party

The company's immediate parent undertaking is Keeney Hill Limited.

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

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

The registered office of RTX Corporation is located at 1000 Wilson Blvd., Arlington, Virginia 22209, 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 2023****27. Restatement of Prior Year Financial Statements**

There has been a prior year restatement of the presentation of the net defined pension surplus on the balance sheet to correct for an error. The correction is to present the defined pension surplus within current assets to make the presentation in line with Companies Act 2006. This has increased the liabilities by £93,367,000 and increased current assets by £93,367,000. This has not impacted any other disclosure. Management have applied the FRS101 exemption for the production of a third balance sheet.

	<i>Note</i>	<b>2022 Restated £'000</b>	<b>2022 Original £'000</b>	<b>Variance £'000</b>
<b>Fixed assets</b>				
Intangible assets	<b>10</b>	1,248	1,248	-
Tangible assets	<b>11</b>	19,667	19,667	-
Right of use asset	<b>12</b>	86	86	-
Investments	<b>13</b>	10	10	-
		<b>21,011</b>	<b>21,011</b>	-
<b>Current assets</b>				
Stocks	<b>14</b>	16,897	16,897	-
Debtors	<b>15</b>	21,735	21,735	-
Pensions and similar obligations	<b>20</b>	93,367	-	93,367
		<b>131,999</b>	<b>38,632</b>	<b>93,367</b>
Creditors: Amounts falling due within one year	<b>16</b>	(34,055)	(34,055)	-
<b>Net current assets</b>		<b>97,944</b>	<b>4,577</b>	<b>93,367</b>
<b>Total assets less current liabilities</b>		<b>118,955</b>	<b>25,588</b>	<b>93,367</b>
Creditors: Amounts falling due after more than one year	<b>17</b>	(48)	(48)	-
Provisions for liabilities	<b>18</b>	(1,428)	(1,428)	-
Pensions and similar obligations	<b>20</b>	-	93,367	(93,367)
<b>Net assets</b>		<b>117,479</b>	<b>117,479</b>	-