

**CRANFIELD AEROSPACE SOLUTIONS LIMITED**  
**STRATEGIC REPORT,**  
**REPORT OF THE DIRECTORS AND**  
**FINANCIAL STATEMENTS**  
**FOR THE PERIOD**  
**1ST AUGUST 2021 TO 30TH SEPTEMBER 2022**

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FOR THE PERIOD 1ST AUGUST 2021 TO 30TH SEPTEMBER 2022**

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**CRANFIELD AEROSPACE SOLUTIONS LIMITED**

**COMPANY INFORMATION  
FOR THE PERIOD 1ST AUGUST 2021 TO 30TH SEPTEMBER 2022**

**DIRECTORS:**

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

**REGISTERED OFFICE:**

Hanger 2 Cranfield Airport  
Cranfield  
Bedfordshire  
MK43 0AL

**REGISTERED NUMBER:**

02415720 (England and Wales)

**AUDITORS:**

HW East Midlands Audit LLP  
Statutory Auditors  
Woburn Court, 2 Railton Rd  
Woburn Road Ind Est  
Kempston  
Bedfordshire  
MK42 7PN

**STRATEGIC REPORT  
FOR THE PERIOD 1ST AUGUST 2021 TO 30TH SEPTEMBER 2022**

The directors present their strategic report for the period 1st August 2021 to 30th September 2022.

**REVIEW OF BUSINESS**

The Directors have over the past few years restructured and made improvements to the Company structure and implemented changes to target those markets and segments, which are more closely aligned with the Company's core capabilities. The new main focus is hydrogen propulsion (Project FRESSON).

Hydrogen propulsion, and the company's Project FRESSON are expected to lead to a significant volume of incremental business in future years. Project FRESSON is a 4 stage, multi year project. FRESSON stage 1 is the conversion of a 9 seater Britten-Norman Islander aircraft to hydrogen propulsion, with the aim of coming to the market in 2026. Phases 2 & 3 relate to a hydrogen propulsion 19 seater aircraft, with stage 4 being the development of a hydrogen propulsion 75 seater aircraft. Given the costs associated with the Research & Development in the start of FRESSON stage 1, the Company recorded a net loss of £2,276k (2021: a profit of £487k).

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

**Financial key performance indicators**

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

Revenues were £3,155k compared to £7,048k of the previous year and gross margin was 23% compared to 16% of the previous year.

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

**STRATEGIC REPORT  
FOR THE PERIOD 1ST AUGUST 2021 TO 30TH SEPTEMBER 2022**

**PRINCIPAL RISKS AND UNCERTAINTIES**

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

- Safety risk - Safety Management is a proactive and integrated approach to safety. It has been incorporated into the Company's Safety Management System, which is an organised approach to managing safety that includes the necessary organisational structures, accountabilities, policies and procedures. It interfaces with other critical management functions such as Health & Safety, financial and compliance monitoring.

- Economic downturn - The Directors keep abreast of economic conditions and have modified and adopted policies and strategies to reflect changing market conditions in so far as they have been able. The on-going and medium term impact of the economic crisis on the markets initiated by the invasion of Ukraine are being monitored closely. Given the Company's focus on Project FRESSON and next generation aircraft the Directors believe that it is well placed over the medium term, despite any short term impact. Given the customers and activities, Brexit is still not considered to be an issue.

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

- Competition - The Company operates in a number of niche markets, which are competitive. There is consistent downward pressure on contract margins combined with increasingly high customer expectations. Policies of constant price monitoring, delivery of high-quality services and continuous improvement are in place to mitigate these market risks.

**ON BEHALF OF THE BOARD:**

P Hutton - Director

26th January 2023

**REPORT OF THE DIRECTORS  
FOR THE PERIOD 1ST AUGUST 2021 TO 30TH SEPTEMBER 2022**

The directors present their report with the financial statements of the company for the period 1st August 2021 to 30th September 2022.

**DIVIDENDS**

The Directors do not recommend the payment of a dividend (2021: nil).

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1st August 2021 to the date of this report.

Dr P A Craig  
I G Gray CBE  
P Hutton

Other changes in directors holding office are as follows:

F Illat - appointed 24th March 2022  
Dr J J Traynor - appointed 24th March 2022  
S Zawaideh - appointed 22nd August 2022  
A E Crawford - resigned 24th March 2022  
C W A Holliday - resigned 24th March 2022  
H Nabi - resigned 24th March 2022

**POLITICAL DONATIONS AND EXPENDITURE**

The Company made no political contributions during the year (2021: nil).

**GOING CONCERN AND LIQUIDITY RISK**

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

The Company raised external finance through the issuance of new shares following an initial funding round in March 2022 and a second round in August 2022 for Phase 1 of Project FRESSON, receiving £11.5m from investors of £14.4m investment round. Further funding rounds and investment (as well as the balance of the £14.4m investment) is forecast to be received in December 2022 and early 2023. The directors have prepared cash flow forecasts, including downside sensitivities for a period of 12 months from the date of these financial statements taking into consideration the available and forecast investment, and the continued development of Project FRESSON. The Directors considered the adequacy of the available cash resources in the light of the current and projected development and performance, and are confident the Company will continue to operate within its available cash flow throughout the going concern window.

**REPORT OF THE DIRECTORS  
FOR THE PERIOD 1ST AUGUST 2021 TO 30TH SEPTEMBER 2022**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

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

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

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

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

**AUDITORS**

The auditors, HW East Midlands Audit LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

P Hutton - Director

26th January 2023

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

### **Opinion**

We have audited the financial statements of Cranfield Aerospace Solutions Limited (the 'company') for the period ended 30th September 2022 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30th September 2022 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

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

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

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

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

### **Other information**

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

### **Matters on which we are required to report by exception**

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

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

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

### **Responsibilities of directors**

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

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and the sector in which it operates. We determined that the following laws and regulations were most significant: The Companies Act 2006, UK GAAP and UK Corporate Tax laws.
- We had discussions with management in relation to known or suspected instances of fraud, or non-compliance with laws and regulations;
- We tested significant accounting estimates and judgements made by management, including the verification of the data and accuracy of the models;
- We reviewed journal entries for evidence of bias

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

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

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

**Use of our report**

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

Alberto Di Lorenzo FCA (Senior Statutory Auditor)  
for and on behalf of HW East Midlands Audit LLP  
Statutory Auditors  
Woburn Court, 2 Railton Rd  
Woburn Road Ind Est  
Kempston  
Bedfordshire  
MK42 7PN

31st January 2023

**STATEMENT OF COMPREHENSIVE  
INCOME  
FOR THE PERIOD 1ST AUGUST 2021 TO 30TH SEPTEMBER 2022**

	Notes	Period 1/8/21 to 30/9/22 £'000	Year Ended 31/7/21 £'000
<b>TURNOVER</b>	3	3,156	7,050
Cost of sales		<u>2,424</u>	<u>5,893</u>
<b>GROSS PROFIT</b>		732	1,157
Administrative expenses		<u>3,433</u> (2,701)	<u>3,061</u> (1,904)
Other operating income		<u>53</u>	<u>1,906</u>
<b>OPERATING (LOSS)/PROFIT</b>	5	(2,648)	2
Interest receivable and similar income		<u>1</u> (2,647)	<u>2</u> 4
Interest payable and similar expenses	6	<u>50</u> (2,697)	<u>55</u> (51)
<b>LOSS BEFORE TAXATION</b>			
Tax on loss	7	<u>(420)</u>	<u>(539)</u>
<b>(LOSS)/PROFIT FOR THE FINANCIAL PERIOD</b>		(2,277)	488
<b>OTHER COMPREHENSIVE INCOME</b>			
Revaluation of tangible fixed assets		64	-
Share option reserve		238	-
Income tax relating to components of other comprehensive income		<u>-</u>	<u>-</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX</b>		<u>302</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u>(1,975)</u>	<u>488</u>

The notes form part of these financial statements

**BALANCE SHEET**  
**30TH SEPTEMBER 2022**

	Notes	30/9/22 £'000	£'000	31/7/21 £'000	£'000
<b>FIXED ASSETS</b>					
Intangible assets	8		3,545		-
Tangible assets	9		<u>371</u>		<u>324</u>
			3,916		324
<b>CURRENT ASSETS</b>					
Stocks	10	350		218	
Debtors	11	2,215		1,852	
Cash at bank		<u>5,030</u>		<u>1,854</u>	
		7,595		3,924	
<b>CREDITORS</b>					
Amounts falling due within one year	12	<u>2,112</u>		<u>3,696</u>	
<b>NET CURRENT ASSETS</b>			<u>5,483</u>		<u>228</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			9,399		552
<b>PROVISIONS FOR LIABILITIES</b>	14		<u>40</u>		<u>40</u>
<b>NET ASSETS</b>			<u>9,359</u>		<u>512</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15		4,170		1,000
Share premium	16		9,002		1,350
Revaluation reserve	16		64		-
Share option reserve	16		238		-
Retained earnings	16		<u>(4,115)</u>		<u>(1,838)</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>9,359</u>		<u>512</u>

The financial statements were approved by the Board of Directors and authorised for issue on 26th January 2023 and were signed on its behalf by:

P Hutton - Director

STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD 1ST AUGUST 2021 TO 30TH SEPTEMBER 2022

	Called up share capital £'000	Retained earnings £'000	Share premium £'000
<b>Balance at 1st August 2020</b>	1,000	(2,326)	1,350
<b>Changes in equity</b>			
Total comprehensive income	-	488	-
<b>Balance at 31st July 2021</b>	<u>1,000</u>	<u>(1,838)</u>	<u>1,350</u>
<b>Changes in equity</b>			
Issue of share capital	3,170	-	7,652
Total comprehensive income	-	(2,277)	-
<b>Balance at 30th September 2022</b>	<u>4,170</u>	<u>(4,115)</u>	<u>9,002</u>
	Revaluation reserve £'000	Share option reserve £'000	Total equity £'000
<b>Balance at 1st August 2020</b>	-	-	24
<b>Changes in equity</b>			
Total comprehensive income	-	-	488
<b>Balance at 31st July 2021</b>	<u>-</u>	<u>-</u>	<u>512</u>
<b>Changes in equity</b>			
Issue of share capital	-	-	10,822
Total comprehensive income	64	238	(1,975)
<b>Balance at 30th September 2022</b>	<u>64</u>	<u>238</u>	<u>9,359</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD 1ST AUGUST 2021 TO 30TH SEPTEMBER 2022

1. **STATUTORY INFORMATION**

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

2. **ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

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

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

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

**Financial Reporting Standard 102 - reduced disclosure exemptions**

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

- the requirements of Section 7 Statement of Cash Flows.

**Critical accounting judgements and key sources of estimation uncertainty**

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

**Turnover**

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

**Intangible assets**

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

Patents and licences are being amortised evenly over their estimated useful life of three years.

Ground Control Station are being amortised evenly over their estimated useful life of three years.

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

Development costs include expenses incurred on the creation of a prototype. The amortisation commences once the development of the prototype has been completed.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE PERIOD 1ST AUGUST 2021 TO 30TH SEPTEMBER 2022

2. ACCOUNTING POLICIES - continued

**Tangible fixed assets**

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

- Plant and machinery, fixtures and fittings, tools and equipment - 3 to 10 years
- Motor vehicles - 4 years
- Leasehold improvements - the shorter of the lease and useful economic life of the assets

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

**Stocks**

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

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

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

**Taxation**

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

Current or deferred taxation assets and liabilities are not discounted.

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

**Deferred tax**

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

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

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

**Research and development**

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

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE PERIOD 1ST AUGUST 2021 TO 30TH SEPTEMBER 2022

2. ACCOUNTING POLICIES - continued

**Foreign currencies**

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

There were no forward contracts in place at either 31 July 2021 or 30 September 2022.

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

**Hire purchase and leasing commitments**

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

**Pension costs and other post-retirement benefits**

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

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

**Warranty provision**

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

**Provisions**

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

**Cash and cash equivalents**

Cash and cash equivalents comprise bank balances and call deposits.

**Trade and other debtors/creditors**

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

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE PERIOD 1ST AUGUST 2021 TO 30TH SEPTEMBER 2022

3. **TURNOVER**

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

An analysis of turnover by geographical market is given below:

	Period 1/8/21 to 30/9/22	Year Ended 31/7/21
	£'000	£'000
United Kingdom	3,155	6,987
United States of America	-	61
	<u>3,155</u>	<u>7,048</u>

4. **EMPLOYEES AND DIRECTORS**

	Period 1/8/21 to 30/9/22	Year Ended 31/7/21
	£'000	£'000
Wages and salaries	2,388	4,384
Social security costs	26	21
Other pension costs	41	32
	<u>2,455</u>	<u>4,437</u>

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

	Period 1/8/21 to 30/9/22	Year Ended 31/7/21
Administrative	10	10
Management	4	4
Technical	69	63
	<u>83</u>	<u>77</u>

	Period 1/8/21 to 30/9/22	Year Ended 31/7/21
	£	£
Directors' remuneration	324,514	209,995
Directors' pension contributions to money purchase schemes	<u>40,968</u>	<u>31,681</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE PERIOD 1ST AUGUST 2021 TO 30TH SEPTEMBER 2022

4. EMPLOYEES AND DIRECTORS - continued

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

Money purchase schemes	<u>4</u>	<u>4</u>
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Information regarding the highest paid director is as follows:

	Period 1/8/21 to 30/9/22 £	Year Ended 31/7/21 £
Emoluments etc	161,885	161,885
Pension contributions to money purchase schemes	<u>29,139</u>	<u>29,139</u>

Direct labour costs incurred in the development phase of the first prototype of £1,749,046 were capitalised into development costs.

5. OPERATING (LOSS)/PROFIT

The operating loss (2021 - operating profit) is stated after charging/(crediting):

	Period 1/8/21 to 30/9/22 £'000	Year Ended 31/7/21 £'000
Other operating leases	39	56
Depreciation - owned assets	174	143
(Profit)/loss on disposal of fixed assets	(135)	17
Auditors' remuneration	34	75
Foreign exchange differences	<u>10</u>	<u>(1)</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	Period 1/8/21 to 30/9/22 £'000	Year Ended 31/7/21 £'000
Other loan interest	6	12
Interest on late tax payment	<u>44</u>	<u>43</u>
	<u>50</u>	<u>55</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1ST AUGUST 2021 TO 30TH SEPTEMBER 2022**

**7. TAXATION****Analysis of the tax credit**

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

	Period 1/8/21 to 30/9/22 £'000	Year Ended 31/7/21 £'000
Current tax:		
UK corporation tax	<u>(420)</u>	<u>(539)</u>
Tax on loss	<u>(420)</u>	<u>(539)</u>

**Reconciliation of total tax credit included in profit and loss**

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

	Period 1/8/21 to 30/9/22 £'000	Year Ended 31/7/21 £'000
Loss before tax	<u>(2,697)</u>	<u>(51)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	(512)	(10)
Effects of:		
Adjustments to tax charge in respect of previous periods	-	(179)
Unrecognised deferred tax	(123)	10
R&D tax credits	420	(360)
Development costs capitalised	<u>(204)</u>	<u>-</u>
Total tax credit	<u>(419)</u>	<u>(539)</u>

**Tax effects relating to effects of other comprehensive income**

	1/8/21 to 30/9/22		
	Gross £'000	Tax £'000	Net £'000
Revaluation of tangible fixed assets	64	-	64
Share option reserve	<u>238</u>	<u>-</u>	<u>238</u>
	<u>302</u>	<u>-</u>	<u>302</u>

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

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1ST AUGUST 2021 TO 30TH SEPTEMBER 2022**

**8. INTANGIBLE FIXED ASSETS**

	Patents and licences £'000	Ground Control Station £'000	Development costs £'000	Totals £'000
<b>COST</b>				
At 1st August 2021	44	170	-	214
Additions	-	-	3,545	3,545
Disposals	(44)	(170)	-	(214)
At 30th September 2022	<u>-</u>	<u>-</u>	<u>3,545</u>	<u>3,545</u>
<b>AMORTISATION</b>				
At 1st August 2021	44	170	-	214
Eliminated on disposal	(44)	(170)	-	(214)
At 30th September 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET BOOK VALUE</b>				
At 30th September 2022	<u>-</u>	<u>-</u>	<u>3,545</u>	<u>3,545</u>
At 31st July 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**9. TANGIBLE FIXED ASSETS**

	Improvements to property £'000	Plant and machinery £'000	Fixtures and fittings £'000
<b>COST OR VALUATION</b>			
At 1st August 2021	304	1,295	120
Additions	-	36	19
Disposals	(304)	(793)	(106)
Revaluations	-	20	-
At 30th September 2022	<u>-</u>	<u>558</u>	<u>33</u>
<b>DEPRECIATION</b>			
At 1st August 2021	295	1,010	113
Charge for period	6	130	6
Eliminated on disposal	(301)	(772)	(106)
At 30th September 2022	<u>-</u>	<u>368</u>	<u>13</u>
<b>NET BOOK VALUE</b>			
At 30th September 2022	<u>-</u>	<u>190</u>	<u>20</u>
At 31st July 2021	<u>9</u>	<u>285</u>	<u>7</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE PERIOD 1ST AUGUST 2021 TO 30TH SEPTEMBER 2022

9. TANGIBLE FIXED ASSETS - continued

	Motor vehicles £'000	Computer equipment £'000	Totals £'000
<b>COST OR VALUATION</b>			
At 1st August 2021	24	735	2,478
Additions	-	127	182
Disposals	(24)	(296)	(1,523)
Revaluations	-	44	64
At 30th September 2022	<u>-</u>	<u>610</u>	<u>1,201</u>
<b>DEPRECIATION</b>			
At 1st August 2021	24	712	2,154
Charge for period	-	32	174
Eliminated on disposal	(24)	(295)	(1,498)
At 30th September 2022	<u>-</u>	<u>449</u>	<u>830</u>
<b>NET BOOK VALUE</b>			
At 30th September 2022	<u>-</u>	<u>161</u>	<u>371</u>
At 31st July 2021	<u>-</u>	<u>23</u>	<u>324</u>

Cost or valuation at 30th September 2022 is represented by:

	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment £'000	Totals £'000
Valuation in 2022	20	-	44	64
Cost	<u>538</u>	<u>33</u>	<u>566</u>	<u>1,137</u>
	<u>558</u>	<u>33</u>	<u>610</u>	<u>1,201</u>

10. STOCKS

	30/9/22 £'000	31/7/21 £'000
Stocks	<u>350</u>	<u>218</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1ST AUGUST 2021 TO 30TH SEPTEMBER 2022**

**11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	30/9/22	31/7/21
	£'000	£'000
Trade debtors	236	463
Doubtful debt provision	(43)	(10)
Amounts owed by group undertakings	-	10
Other debtors	5	-
Tax	780	360
VAT	234	-
Accrued income	737	1,010
Prepayments	266	19
	<u>2,215</u>	<u>1,852</u>

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	30/9/22	31/7/21
	£'000	£'000
Trade creditors	1,051	201
Amounts owed to group undertakings	-	1,018
Amounts owed to participating interests	199	-
Social security and other taxes	455	1,998
VAT	-	81
Other creditors	128	90
Accruals and deferred income	279	308
	<u>2,112</u>	<u>3,696</u>

**13. LEASING AGREEMENTS**

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

	30/9/22	31/7/21
	£'000	£'000
Within one year	40	197
Between one and five years	95	440
	<u>135</u>	<u>637</u>

The rental lease with the University of Cranfield for the hanger was cancelled during the period due to finding asbestos. Remedial works are being completed and a new lease is being negotiated.

**14. PROVISIONS FOR LIABILITIES**

	30/9/22	31/7/21
	£'000	£'000
Other provisions	<u>40</u>	<u>40</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1ST AUGUST 2021 TO 30TH SEPTEMBER 2022**

**14. PROVISIONS FOR LIABILITIES - continued**

	Other provisions £'000
Balance at 1st August 2021	40
Balance at 30th September 2022	<u>40</u>

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

**15. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	30/9/22 £'000	31/7/21 £'000
1,000,000	Ordinary	£1	1,000	1,000
3,170,163	Series A preferred	£1	<u>3,170</u>	<u>-</u>
			<u>4,170</u>	<u>1,000</u>

3,170,163 Series A preferred shares of £1 each were allotted as fully paid at a premium of 2.63636364 per share during the period.

**16. RESERVES**

	Retained earnings £'000	Share premium £'000	Revaluation reserve £'000	Share option reserve £'000	Totals £'000
At 1st August 2021	(1,838)	1,350	-	-	(488)
Deficit for the period	(2,277)				(2,277)
Cash share issue	-	8,358	-	-	8,358
Surplus on revaluation	-	-	64	-	64
Movement in reserves	-	(706)	-	238	(468)
At 30th September 2022	<u>(4,115)</u>	<u>9,002</u>	<u>64</u>	<u>238</u>	<u>5,189</u>

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

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

**17. PENSION COMMITMENTS**

The employer pension costs expensed in the period were £587k (2021: £485k).

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE PERIOD 1ST AUGUST 2021 TO 30TH SEPTEMBER 2022

18. **ULTIMATE CONTROLLING PARTY**

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

19. **DEFINED BENEFIT SCHEME**

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

20. **DEFINED CONTRIBUTION SCHEME**

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

21. **SHARE BASED PAYMENT TRANSACTIONS**

The company operates an approved EMI scheme to its employees.

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

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

A reconciliation of share option movement over the period to 30 September 2022 is shown below:

	No	2022 Exercise Price
Granted	872,825	1,767,983
Forfeited	-	-
<b>Outstanding at 30 September 2022</b>	<b>872,825</b>	<b>1,767,983</b>

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