COMPANY REGISTRATION NUMBER 00245740

Marshall of Cambridge Aerospace Limited

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2022

Marshall of Cambridge Aerospace Limited

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

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Marshall of Cambridge Aerospace Limited

OFFICERS AND PROFESSIONAL ADVISERS

Board of directors	N.J. McManus C. Porter
Company secretary	S.J. Moynihan
Registered office	Airport House The Airport Cambridge CB5 8RY
Parent Company's Registered office	Airport House The Airport Cambridge CB5 8RY
Independent Auditors	PricewaterhouseCoopers LLP The Maurice Wilkes Building Cowley Road Cambridge CB4 0DS
Bankers	Barclays Bank Plc 9-11 St Andrews Street Cambridge CB2 3AA
Solicitors	Bird & Bird 15 Fetter Lane London EC4A 1JP United Kingdom
	Greenwoods Monkton House City Road Peterborough PE1 1JE United Kingdom
Property advisors	Bidwells Trumpington Road Cambridge CB2 9LD United Kingdom

Marshall of Cambridge Aerospace Limited

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2022

The directors of Marshall of Cambridge Aerospace Limited ("the company") present their Strategic Report for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The company's principal activity is aerospace engineering. The company delivers world leading applied engineering services and technology through its capability in Managed Services, Integration and Product Technologies. The company operates in three segments: Military Aerospace, Aerostructures and Major Projects.

ANALYSIS OF FINANCIAL KEY PERFORMANCE INDICATORS

The company measures its performance on a number of key performance indicators explained in more detail below.

	2022	2021	Change
Turnover	£241m	£222m	8.6%
Gross margin	36.2%	19.9%	16.3%pts
Operating margin before exceptional items	16.9%	-0.2%	17.1 %pts
Order intake	£179m	£154m	14.9%

GENERAL BUSINESS REVIEW

Financial performance, business environment and future developments

During the year the company made a post-tax profit of (£28.4m) (2021: post tax loss of £5.3m) for the year and at 31 December 2022 had net assets of £50.5m (2021: £24.1m).

Following the decision of the UK MoD to withdraw its C-130 fleet from service earlier than originally planned, during 2022 the company concluded a contract price adjustment to compensate for the loss of work on the fleet along with the recovery of committed overhead costs over the next few years. The company was able to recognise a significant proportion of this price adjustment in 2022 and as a result delivered an exceptional performance with operating profit before separately disclosed items of £40.3m (2021:Operating loss before separately disclosed items of £1.0m) and improving revenues of £241m (2021: £222m).

Significantly, the company also negotiated a 'Gain Share' contract to upgrade eight of the MoD aircraft to the extended life Centre Wing box, protect critical capability, and share in the onwards sale proceeds expected in the years following full fleet retirement in June 2023.

Away from the UK MoD, the strategic objective to diversify the international customer base continued, with 37% of total revenue arising from international customers (2021: 53%) with underlying non-UK business in proportion to last year. The Order Intake target of £150m was exceeded, as the team continued to win business with new international customers, most notably through product sales to Saab and 2Excel, as well as securing contract extensions & renewals with Sweden and Qatar.

The company remains on a positive trajectory with the US Marine Corps as it continues to outperform its competitors in both speed and quality of input with scheduled performance exceeding contractual requirements. Feedback from the customer has been exceptional, recognising the company's agility to resource and support C-130J fleet surge requirements, alongside scheduled maintenance inputs. The company continues to look to capitalise on this success with positive progress being made in establishing a greater presence the United States through construction of a specialised MRO facility in North Carolina.

Away from the C-130 platform, the company's £46m three-year maintenance contract to provide support to the Global 6000 Special Missions aircraft in the United Arab Emirates has now been set up and is performing well. Business development activities in the Region for similar products yielded positive early feedback, and the company is now looking to build greater presence in the area to leverage its existing technology and experience.

Aerostructures delivered another strong performance on the P8 tank programme, celebrating a key milestone early in 2022 when it delivered the 1,000th auxiliary fuel tank for customer Boeing. Further orders for fuel tanks were received in-year from the customer meaning production is likely to extend beyond the end of 2024.

The relocation programme is also gathering significant pace as its outline planning application to Central Bedfordshire Council was submitted in Q4 2022 for relocation later this decade.

PRINCIPAL RISKS AND UNCERTAINTIES

The company has implemented a co-ordinated set of risk management and control systems, including strategic planning and management reporting, to help anticipate, measure, monitor and manage its exposure to risk.

The company has identified a number of key risks to its businesses which, whilst having remained relatively stable over recent years, are nevertheless critical to its future financial and operational performance. These are explained further below:

Failure to maintain and grow a sustainable order book

Most of the company's core business consists of longer term contractual arrangements and these contracts tend to be of considerable size. The nature of these contracts is such that they can take significant time and investment to secure. Gaps in the flow of work risk exposure for the business to significant losses. We continue to maintain a strong order book, delivering £179m order intake during the year, and secure new customers which further diversifies and de-risks our order backlog.

Loss making contracts

Where a customer project is forecast to become loss making a provision for contract losses is recognised immediately. Loss provisions are based on management's best estimate of the expected completion cost for a project, taking into account production and commercial estimates including risk contingencies. Risk contingencies are determined through a balanced risk matrix which considers the likelihood of an event occurring and the financial impact upon the project

Inadequate employee skills and experience and loss of key staff

People are the company's key asset, and it invests a tremendous amount to ensure that it is not exposed to skill shortages in the business and that its staff are trained to an excellent standard. The company has a detailed people agenda and with a current focus on talent management, skill development, flexible benefits and terms & conditions harmonisation, the latter particularly designed to encourage improved employee engagement.

Access to Intellectual Property

Over time OEMs (Original Equipment Manufacturers) have begun to guard their intellectual property (IP) more carefully. Where previously the company may have been able to negotiate access, and purchasers of assets were happy to buy the asset alone, the company now faces an environment where OEMs have recognised the value of restricting access to IP whilst customers increasingly wish to purchase a capability rather than a physical asset. This has led to the bundling of asset and in-service support together as a contractual package. Notwithstanding this, OEMs do recognise that they may not be best placed to deliver in-service support and sometimes contract this element out to a third party. The company and its directors' value strategic relationships very highly in positioning it to take advantage of these opportunities and work hard to develop such relationships.

Delivery of diversification strategy

The rebalancing of the company's existing businesses to reduce the reliance on work from its core C130 market in Europe is vital to ensuring it is able to maintain the breadth of its engineering capability whilst maintaining and improving its cost competitiveness in operations and engineering tasks. Activities in support of managing this risk form a key part of the directors' strategic thinking and delivering on the business's strategic growth objectives forms a key element in mitigating this risk.

Marshall of Cambridge Aerospace Limited

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Cyber Security
With changes in the geo-political environment, risks and incidents in the area of cyber security are well publicised and increasing. The Company operates within a market sector that is susceptible to malicious acts initiated by highly capable and well-funded operations which, potentially, could ultimately be backed by nation states. Accordingly, the threat profile faced by the organisation is deemed to be significant and considered a key business risk. The company mitigates its risk in this area by running a rolling cyber security strategy programme which regularly reviews the risk profile and identifies and addresses potential control gaps.

Business disruption / safety issue caused by malicious act or breach of physical security
The nature of the company's business means that airworthiness and safety concerns are integral and critical to its operational effectiveness. Managing risks which could contribute to events in these areas has been, and continues to be, core to the company's operational procedures and is monitored on a regular basis at a board level.

Exchange rate and credit risk
The company is exposed to exchange rate variations in both customer and supplier contracts; an imbalance in these could lead to significant exchange rate risk exposure. The company uses foreign exchange hedging instruments to mitigate this risk on a case-by-case basis. The directors have considered the impact and have appropriate plans to mitigate credit risk on the business and, given the nature of the company's customer base, do not consider it to be significant.

Liquidity and cash flow risk
Liquidity and cash flow risks relate to the ability to pay for goods and services required by the company to trade on a day-to-day basis. The company participates in the Marshall of Cambridge (Holdings) Limited group's treasury arrangements coordinated by the company's immediate parent company. Under this arrangement, it has access to and shares banking arrangements and facilities with its immediate parent and fellow group undertakings.

The directors have considered the current and future activities of the company, including cash forecasts for a period covering at least the next 12 months, and do not consider the liquidity and cash flow risks to be significant.

Geographical impact on supply chain
We recognise the risk that geographical events can have on the supply chain, such impact was keenly felt in 2022 when we faced significant difficulties in serving key construction material as a result of Russia-Ukraine war. To mitigate this risk we have implemented a process of reviewing all key contracts and suppliers to ensure we have alternative suppliers and alternative materials.

SECTION 172

Reporting on section 172 (1)

The Companies (Miscellaneous Reporting) Regulations 2018 (the "Regulations") have been in force with effect from 1 January 2019. The Regulations aim to extend sustainable and responsible governance practice beyond listed companies to private limited companies. The Regulations also require the Company to report how the directors of the Company have considered their duties under section 172 (1) (of the Companies Act 2006 (the "Act") ("Section 172") during the financial year.

Success for a commercial company is often defined as long term value creation. Our directors always consider whether the decision they are about to take leads to a positive long term increase in the value of the Company for the benefit of the shareholders.

Section 172 (1) of the Companies Act 2006

The directors of the company must act in accordance with a set of general duties. These duties are detailed in section 172 (1) (a)-(f) of the UK Companies Act 2006:

A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to-

(a) the likely consequences of any decision in the long term,
(b) the interests of the company's employees,
(c) the need to foster the company's business relationships with suppliers, customers and others,
(d) the impact of the company's operations on the community and the environment,
(e) the desirability of the company maintaining a reputation for high standards of business conduct, and
(f) the need to act fairly as between members of the company.

Section 172 (1) protocol

As part of its Framework, the ultimate parent company of the Group, Marshall of Cambridge (Holdings) Limited, has adopted a Section 172 (1) protocol (the "Protocol"), which provides detailed guidance for directors and management on the application and execution of Section 172 (1) duties across the Group, including the Company. The Protocol provides directors and management with a clear process to follow when considering principal decisions, as defined in the Protocol and the Group's consolidated financial statements. Responsibility for decision making on these principal decisions is delegated to the board of the Group (the "Group Board"), except where they cannot be delegated under the Act, via the Company's terms of reference.

Principal decisions

The Board has also adopted a protocol to enable the Directors in making principal decisions. Principal decisions are those that are strategic, commercially material and impact the Company's stakeholders. The principal Board decisions made during the year and how the Board considered stakeholder views are set out below.

HIOS price adjustment

Following the UK Ministry of Defence (MOD)decision to withdraw the UK's C-130 fleet from service in June 2023, Marshall Aerospace agreed a price adjustment with MOD as it prepared for the premature end of its long-term contract with the RAF. This had a significant positive impact on 2022 profit and will continue to do so up to the end of the contract in June 2023. This contract had been due to run until at least 2030 and in agreeing a price adjustment with the MOD the Board took into account a number of important factors. These included the need to maintain key capabilities of the business, securing the continuity of employment for Aerospace's highly skilled workforce and ensuring the Group had the ability to support the MOD during the wind down of the contract. Securing a position as official resale partner for the UK fleet to work in partnership with the Defence Equipment Sales Authority to manage the sale and entry into service of the aircraft with new operators was an important consideration. It enables the Group to support a key customer in achieving best value as well as providing a significant revenue stream over the coming years.

Marshall of Cambridge Aerospace Limited

STRATEGIC REPORT (continued)

YEAR ENDED 31 DECEMBER 2022

SECTION 172 (1) continued
The Company worked closely with each of our customers for a definitive view, contract-by-contract, as to which fell into the critical or essential category, and how best to support each one. The Board also satisfied itself with the continuity plans in place and considered the strategic response to permanent changes in future customer priorities. Availability of ongoing financing to the Company was considered through dialogue with the Group Board. Facilities, with the Group's lenders, were extended in December 2021 and now expire on 31 March 2023. However, the receipt of proceeds from the sale of the Group's interest in Marshall Motor Holdings plc mean the Group is no longer dependent upon these facilities.

Throughout the year, the Board engaged with shareholders, keeping them informed by letter, email, and virtual briefings, including the AGM that was live-streamed to shareholders unable to attend.

Relocation
The Board also supported the Group Board's intention to relocate the Aerospace businesses from Cambridge Airport to new, state of-the-art facilities as part of its commitment to investing in the long term future of the Company. In October 2020, the Group Board approved an option agreement for a 150-year lease on a parcel of land on Cranfield University's proposed Air Park development. This option was renewed in 2021 and 2022, with Board approval being given for the preparation of an outline planning application for submission in Q4 2022. In making this decision, the Group Board considered the impact on employees, customers, the community and the environment and agreed it was the right step towards unlocking value for all stakeholders.

Section 172 application
The Group's Framework approach to the application of Section 172, to promote the success of the Group, including the Company, regulates the behaviour and activities of the Group Board and the Company's board and executive committee. Examples of activities undertaken in relation to the ultimate parent company include regular reporting to the Group on performance of the business as well as other ad hoc reports on specific areas of the business. This includes monthly financial reporting as well as forecasting and budgeting with regular update meetings on the company operations.

Activities in relation to employee and other stakeholder engagement are listed in the Director's report.

Signed on behalf of the board

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N. J. McManus
Managing Director

Approved by the directors on 14 December 2023

Marshall of Cambridge Aerospace Limited

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2022

The directors present their Report and audited Financial Statements of the company for the year ended 31 December 2022.

RESULTS AND DIVIDENDS

The company made a post-tax profit of (£28.4m) (2021: post tax loss of £5.3m) for the year and at 31 December 2022 had net assets of £50.5m (2021: £24.1m). The directors do not recommend the payment of a final dividend (2021: £nil).

DIRECTORS

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

D.S. Eldridge (resigned 25 April 2022)
D.S. Wilkinson (resigned 01 September 2023)
N.J. McManus (appointed 25 April 2022)
C. Porter (appointed 20 November 2023)

All directors are also directors of other subsidiary undertakings of the ultimate parent company. No director had any interest in the share capital of the company or of any other group company during the year.

None of the directors holding office at 31 December 2022 had notified a beneficial interest in any contract to which the company or its fellow group undertakings were a party during the financial year.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The ultimate parent company purchased and maintained a directors' and officers' liability insurance policy throughout the year. Although a director's defence costs may be met, neither the ultimate parent company's indemnity nor insurance provides cover in the event that he is proved to have acted fraudulently or dishonestly.

GOING CONCERN

The company participates in the group treasury arrangements of Marshall of Cambridge (Holdings) Limited ("MCH"), the company's immediate and ultimate parent undertaking. Under this arrangement, it has access to and shares banking arrangements and facilities with MCH and fellow group undertakings. The company is also an obligor and co-guarantor of the group banking arrangement.

For the year ended 31 December 2022 the company generated a post-tax profit of £28.4m and at 31 December 2022 had net current assets of £11.8m and net assets of £50.5m and has received a letter of support from MCH.

The directors have considered whether the company is able to meet its liabilities as they fall due and is a going concern. In addition to considering the company's forecast cash flows for the foreseeable future, the directors have also made enquiries of the MCH directors, given its guarantee to and participation in group banking arrangements. MCH director has prepared a formal group going concern assessment, including the impact of certain reasonably possible adverse scenarios, which concludes the group is forecast to be able to meet its liabilities as they fall due for the relevant going concern period.

On this basis, the directors of the company have concluded that no material uncertainty exists that may cast significant doubt about the ability of MCH group to continue as going concern for at least 12 months from the approval of these financial statements.

FUTURE DEVELOPMENTS
Further details regarding future developments of the company are contained within the Strategic Report.

RESEARCH AND DEVELOPMENT
The company continues to be committed to research and development in support of its strategy and objectives and undertakes work in these areas whenever it is anticipated that a competitive advantage is to be achieved in terms of its principal activity of aerospace engineering.

FINANCIAL INSTRUMENTS
The company's financial risk management objectives and policies, including the exposure to market risk, exchange rate risk, credit risk, liquidity risk and cashflow risk are set out in the Strategic Report.

EMPLOYMENT PARTICIPATION AND ENGAGEMENT STATEMENT
The ultimate parent company, Marshall of Cambridge (Holdings) Limited, ("the Group" has adopted a section 172 9 of the Companies Act 2006 (the "Act")) ("Section 172") protocol (the "Protocol"), which provides detailed guidance for directors and management on the application and execution of Section 172 duties across the Group, including the company. The Protocol provides directors and management with a clear process to follow when considering principal decisions, as defined in the Protocol and the Group's consolidated financial statements, that affect employees, amongst others. Responsibility for decision making on these principal decisions is delegated to the Board of the Group except where they cannot be delegated under the Act, via the company's terms of reference. For further details on the process behind principal decisions affecting employees, and for principal decisions made that impact the company's employees, please refer to the section 172 Statement available in the Group's annual report. The Group has appointed Jonathan Flint, an independent non-executive director to have responsibility for employee engagement. His role is to understand the view of the workforce and identify any areas of concern, communicate the views of the workforce to the Board and ensure the Group Board considered the workforce in all its proposals.

The company is committed to ensuring there is a positive working environment and the company offers a range of options and benefits to enhance our employees' lives. All employees are enrolled into our pension and life assurance schemes.

Throughout the year, the directors engaged with the company's employees in various ways to provide information on matters of concern to them as employees, to take into account their views in making decisions likely to affect their interest, to encourage involvement in the company's performance and to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance. This included regular team briefs, updates with directors and leadership conferences.

The company distributes extraordinary contribution awards to its employees recognising and awarding exceptional performance and commitment. To support its employees with the impact of the cost of living crisis the company also provided cost of living payments for eligible employees.

EQUAL OPPORTUNITIES
The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

STAKEHOLDER ENGAGEMENT STATEMENT

The company is part of the Marshall Group, which is proud to be a private, family owned group, fully committed to maintaining its values and its relationships with its employees, customers, suppliers, shareholders and local communities.

The company aims to build enduring relationships with the UK government, customers, partners, suppliers and communities in the countries where it operates, as well as its shareholder. The company works with its stakeholders in an honest, respectful and responsible way and seeks to work with others who share the company's commitments to safety and ethics and compliance.

As noted in the employee engagement statement, responsibility for decision making on principal decisions is referred to the Board of the Group, except where they cannot be referred, via the company's terms of reference.

The company's activities affect a wide variety of individuals and organisations. The company engages with these stakeholders and considers their differing needs and priorities as an everyday part of its business and uses the input and feedback to inform its decision making. By way of a stakeholder register, it has identified its key stakeholders, and the reasons for engagement and the ways in which it engages.

The company holds regular meetings with its customers to obtain informed and direct feedback on the business and ongoing direction, undertakes regular customer site visits and attends regular working groups, industry days, each an opportunity to enhance the understanding of, and alignment with, customer requirements.

The company actively communicates- future requirements and performance with its suppliers, targets specific suppliers to participate in Offset and Industrial Participation projects, attends site/premises visits of targeted suppliers to discuss performance or engage with potential new suppliers on specific contracts. Site visits are an opportunity to monitor how work is being carried out, check it meets expectations and to share knowledge. They are intended to be mutually beneficial in terms of improvement and learning opportunities.

The Group is a founding industry partner of the Launchpad initiative in Cambridge, now managed by Form the Future, a community interest company in Cambridge. With the Group's support, the Form the Future STEM (science, technology, engineering and mathematics) outreach programme, provides students aged 8 to 18 with experiences and opportunities designed to address the diversity issues which exist in STEM employment with the aim to improve gender diversity. The events enable the company to improve links and make a positive impact on its local community, whilst providing its employees with an opportunity to improve their leadership, communication and project management skills.

The Group continues to support its employees in their volunteering activities in the community. These activities are many and varied, including offering time to charities, air cadets and as school governors, for example.
The Marshall Group has operated an apprentice programme since 1920 and the Company currently has 52 apprentices in training.

The company reports to its ultimate beneficial owner on a regular basis in the form of its financial statements, monthly and quarterly board reports and business reviews, presentations to the Board of the Group, review of key strategic bids, business plans and strategic plans as well as risk reporting. The company's strategy is to pursue strategic growth to create long term value for its shareholders.

Marshall of Cambridge Aerospace Limited

DIRECTOR'S REPORT (continued)

YEAR ENDED 31 DECEMBER 2022

STAKEHOLDER ENGAGEMENT STATEMENT *(continued)*

The company is committed to making a difference and alleviating the pressures placed on the environment. Through its Ambition 2030 sustainability strategy, the Group continues its focus on reducing the impact on the environment and local communities and maximising opportunities to improve its overall sustainability performance.

The Ambition 2030 strategy framework is based around three core elements:

- Taking ambitious climate action and building climate resilience
- Ensuring a healthy environment for employees and the local community
- Using and developing sustainable products and services

For further details of the Ambition 2030 project, please refer to the Group's annual report.

EMPLOYEE ENGAGEMENT STATEMENT

People are the company's key asset and it invests a tremendous amount to ensure it is not exposed to skill shortages and that its staff are trained to an excellent standard. The company has a detailed people agenda including leadership and people management development, development of technical skills and capabilities, engagement and wellbeing.

Throughout the year, the directors engaged with the company's employees in various ways to provide information on matters of concern to them as employees, to take into account their views in making decisions likely to affect their interests, to encourage involvement in the company's performance and to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

BUSINESS RELATIONSHIPS

The Company is required to outline how the directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year. Our approach to fostering business relationships with our suppliers, customers and others and the impact this has on principal decisions in the year has been outlined in the Section 172 statement above.

ENERGY AND CARBON REPORTING

For periods commencing on or after 1 April 2019, large companies are required to provide additional disclosures in relation to UK energy use and carbon emissions. As a subsidiary entity, the Company is exempt from this disclosure subject to such information being presented within the group consolidated financial statements of its parent company. Energy use and carbon emission reporting, including that of the Company, has been presented and is available in the group consolidated financial statements of Marshall of Cambridge (Holdings) Limited.

CHARITABLE DONATIONS

During the year the company made various charitable contributions totalling £30,906 (2021: £5,500).

Marshall of Cambridge Aerospace Limited

DIRECTORS' REPORT (continued)

YEAR ENDED 31 DECEMBER 2022

DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all steps that he is obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP have been appointed as auditor for the ensuing year in accordance with Section 485 of the Companies Act 2006.

Signed on behalf of the board

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N. J. McManus

Managing Director

Approved by the directors on 14 December 2023

Marshall of Cambridge Aerospace Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 31 DECEMBER 2022

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

Company law requires the directors to prepare the 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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

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212E1B12460D47B...
N. J. McManus
Managing Director

Approved by the directors on 14 December 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARSHALL OF CAMBRIDGE AEROSPACE LIMITED

Opinion

In our opinion, Marshall of Cambridge Aerospace Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2022; the income statement, the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

In auditing the financial statements, we have concluded that the 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARSHALL OF CAMBRIDGE AEROSPACE LIMITED *(continued)*

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 31 December 2022 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.

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 Health and Safety at Work etc. Act 1974 and UK employment legislation, 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 the Companies Act 2006 and UK tax 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 misstatement of financial information via inappropriate journal entries and/or management bias in key accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Enquiry of and discussions with management and those charged with governance, including the review of Board minutes, for any known or suspected instances of fraud, non-compliance with laws and regulations and any potential or actual litigation or claims;
- Testing of taxation related balances and disclosures including review of any correspondence with HM Revenue & Customs;
- Testing a sample of journals to supporting documentation to identify any inappropriate adjustments; and
- Evaluating the reasonableness of key accounting estimates and judgements made by management to identify any deliberate misstatements in the financial statements.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARSHALL OF CAMBRIDGE AEROSPACE LIMITED *(continued)*

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. 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.

Suzanne Woolfson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
15 December 2023

Marshall of Cambridge Aerospace Limited

INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £000 Total	2021 £000 Total
TURNOVER	2	240,876	222,070
Cost of sales		(153,648)	(170,960)
Exceptional items related to cost of sales	3	-	(6,930)
GROSS PROFIT		87,228	44,180
Administrative expenses		(46,951)	(45,220)
OPERATING PROFIT/(LOSS) BEFORE SEPARATELY DISCLOSED ITEMS		40,277	(1,040)
Exceptional items	3	(1,244)	(5,666)
Other operating income	4	425	499
OPERATING PROFIT/(LOSS)	5	39,458	(6,207)
Interest receivable and similar income	8	-	-
Interest payable and similar charges	9	(519)	(125)
PROFIT/(LOSS) BEFORE TAXATION		38,939	(6,332)
Tax on profit/(loss)	10	(10,533)	1,077
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		28,406	(5,255)

All of the activities of the company are classed as continuing.

The notes on pages 21 to 41 form part of the Report and Financial Statements.

Marshall of Cambridge Aerospace Limited

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2022

	2022 £000	2021 £000
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	28,406	(5,255)
Fair value loss recognisêd on cash flow hedges (note 24)	(2,609)	(1,252)
Income tax expense relating to components of other comprehensive expense (note 10b)	597	238
TOTAL OTHER COMPREHENSIVE EXPENSE	(2,012)	(1,014)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	26,394	(6,269)

The notes on pages 21 to 41 form part of the Report and Financial Statements.

Marshall of Cambridge Aerospace Limited

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	Notes	2022 £000	2021 £000
FIXED ASSETS			
Intangible assets	11	8,764	8,954
Tangible assets	12	33,383	36,952
Investments	13	4,350	4,350
		46,497	50,256
CURRENT ASSETS			
Stocks	14	10,387	10,437
Debtors	15	113,613	57,604
Cash at bank and in hand		14,543	614
		138,543	68,655
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(126,728)	(88,013)
NET CURRENT ASSETS/(LIABILITIES)		11,815	(19,358)
TOTAL ASSETS LESS CURRENT LIABILITIES		58,312	30,897
PROVISIONS	18	(7,854)	(6,833)
NET ASSETS		50,458	24,064
CAPITAL AND RESERVES			
Called up share capital	23	12,000	12,000
Cash flow hedge reserve	24	(1,261)	751
Profit and loss account		39,719	11,313
TOTAL SHAREHOLDERS' FUNDS		50,458	24,064

The financial statements on pages 17 to 19 were approved by the Board on 14 December 2023 and are signed on its behalf by:

DocuSigned by:
212E1B12460D47B...
Managing Director

Company Registration Number: 245740

Marshall of Cambridge Aerospace Limited

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2022

	Share capital £000	Cash flow hedge reserve £000	Profit and loss account £000	Total shareholders' funds £000
Balance brought forward 1 January 2021	12,000	1,765	16,568	30,333
Loss for the financial year	-	-	(5,255)	(5,255)
Other comprehensive expense, net of tax	-	(1,014)	-	(1,014)
Total comprehensive income for the year	-	(1,014)	(5,255)	(6,269)
Balance carried forward 31 December 2021	12,000	751	11,313	24,064

	Share capital £000	Cash flow hedge reserve £000	Profit and loss account £000	Total shareholders' funds £000
Balance brought forward 1 January 2022	12,000	751	11,313	24,064
Profit for the financial year	-	-	28,406	28,406
Other comprehensive expense, net of tax	-	(2,012)	-	(2,012)
Total comprehensive income for the year	-	(2,012)	28,406	26,394
Balance carried forward 31 December 2022	12,000	(1,261)	39,719	50,458

Marshall of Cambridge Aerospace Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

1. Accounting Policies

(a) Statement of Compliance

Marshall of Cambridge Aerospace Limited is a private company limited by shares registered and incorporated in England, United Kingdom. The registered office is Airport House, The Airport, Cambridge, CB5 8RY.

The company's financial statements have been prepared in compliance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

(b) Basis of Preparation

The financial statements of the company were authorised for issue on 14 December 2023 by the board of directors. The financial statements have been prepared in accordance with the Companies Act 2006 and other applicable accounting standards which have been applied consistently unless otherwise stated.

The financial statements have been prepared on a going concern basis, under the historic cost convention modified by the revaluation of certain financial assets and liabilities held at fair value through profit and loss.

(c) Going Concern

The company participates in the group treasury arrangements of Marshall of Cambridge (Holdings) Limited ("MCH"), the company's immediate and ultimate parent undertaking. Under this arrangement, it has access to and shares banking arrangements and facilities with MCH and fellow group undertakings. The company is also an obligor and co-guarantor of the group banking arrangement.

For the year ended 31 December 2022 the company generated a post-tax profit of £28.4m and at 31 December 2022 had net current assets of £11.8m and net assets of £50.5m and has received a letter of support from MCH.

The directors have considered whether the company is able to meet its liabilities as they fall due and is a going concern. In addition to considering the company's forecast cash flows for the foreseeable future, the directors have also made enquiries of the MCH directors, given its guarantee to and participation in group banking arrangements. MCH director has prepared a formal group going concern assessment, including the impact of certain reasonably possible adverse scenarios, which concludes the group is forecast to be able to meet its liabilities as they fall due for the relevant going concern period.

On this basis, the director of the company have concluded that no material uncertainty exists that may cast significant doubt about the ability of MCH group to continue as going concern for at least 12 months from the approval of these financial statements.

(d) Consolidation

In accordance with section 400 of the Companies Act 2006 consolidated financial statements have not been prepared as the company is a wholly owned subsidiary of Marshall of Cambridge (Holdings) Limited, the ultimate parent company of the group, which is registered in England and Wales, for which consolidated financial statements are publicly available. These financial statements therefore present information about the company alone and not about its group.

1. Accounting Policies *(continued)*

(e) Exemptions for Qualifying Entities Under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders.

The company has taken advantage of the following disclosure exemptions under FRS 102 reduced disclosure framework:

(a) The requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
(b) The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d);
(c) The requirements of Section 11, paragraphs 11.39 to 11.48A and Section 12, paragraphs 12.26 to 12.29A;
(d) The requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23; and
(e) The requirements of Section 33 Related Party Disclosures paragraph 33.7.

(f) Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period.

(g) Key Sources of Estimation Uncertainty

The following are the company's key sources of estimation uncertainty:

Turnover and contract loss provisions

Turnover on long term contracts is recognised by reference to the stage of completion of contract activity, and therefore is sensitive to the ability to reliably assess this stage of completion. This is normally based on the costs incurred to date as a proportion of total anticipated contract costs, however if this does not accurately reflect the stage of completion then an alternative approach is used instead. In making the assessment of costs to complete the contract, management considers not only specific forecast costs but also the level of risk on the programme. In addition, if the final outcome of a contract cannot be reliably assessed, revenue recognition is limited to the level of costs incurred until such time that the contract has progressed sufficiently to make profit recognition appropriate. Where a contract is forecast to be loss making, full provision is made for such losses in the first year in which they are foreseen. The loss provision is based on management's best estimate of the likely outturn for the project based on engineering and production estimates and taking into account reserves for certain risks.

Impairment of intangible assets

Impairment reviews of intangible assets are performed by projecting the future cash flows, excluding finance costs and tax, based upon budgets and plans and making appropriate assumptions about rates of growth and discounting these using a recognised rate which considers prevailing market interested rates and judgements relating to the risks inherent in the business. If the present value of the projected cash flows is less than the carrying value of the underlying asset, an impairment charge is recorded in the Consolidated Income Statement. When an impairment loss subsequently reverses, due to a change in circumstances or in the estimates used to determine the asset's recoverable amount, the carrying value of the asset is increased so long as it does not exceed the original carrying value and recognised in the Consolidated Income Statement.

1. Accounting Policies *(continued)*

g) Key Sources of Estimation Uncertainty *(continued)*
Impairment of investments
Where there are indicators of impairment of investments, the company compares the carrying value of the asset with its recoverable amount, represented by the higher of its value in use and net realisable value. Value in use is based on a discounted cash flow model and is therefore sensitive to the discount rate used as well as the expected future cash flows and extrapolated growth rate.

Offset provision
As a result of trading internationally, the company has entered into a number of contracts that include an offset agreement with a foreign government. These contracts impose an obligation on the company to purchase a certain value of goods or services from approved companies within that country. As such, the company is required to consider the value of any outstanding obligation under offset agreements at each year end, and the associated offset provision required. When calculating the offset provision, management considers the terms of each offset agreement, the value of the obligation that the company has generated, the value of the obligation that the company has settled during the course of business, and the manner in which it expects to settle the remaining obligation.

Research and development expenditure credits
The company recognises a provision for research and development expenditure credits receivable based on reasonable estimates, informed by the relevant tax legislation. Management estimates are required to determine the amount of tax credit that can be recognised, based upon the level of qualifying research and development activity undertaken by the company.

Deferred tax
Unrelieved tax losses and other deferred tax assets have been recognised only to the extent that the directors consider it is probable they will be recovered against future taxable profits or the reversal of deferred tax liabilities. Management estimation is required to determine whether the recognition of future taxable profits is probable.

A five year financial forecast has been prepared which indicates the company will make taxable profit for the next five years. The directors acknowledge the estimation uncertainty included in future financial forecasts but consider the recognition of deferred tax assets reasonable.

(h) Turnover
Turnover comprises the invoiced value of goods and services supplied by the company excluding trade discounts and value added tax. Turnover relating to long term contracts represents the value of work performed during the year determined by reference to the stage of completion of the contract.

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The specific methods used to recognise the different forms of revenue earned by the company are set out below.

i) Sale of goods
Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be reliably measured.

ii) Long term contracts
Turnover from long term contracts is recognised by reference to the stage of completion of contract activity at the year end date. This is normally determined by the proportion that contract costs incurred to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. If the nature of a particular contract means that costs incurred do not accurately reflect the progress of contract activity, an alternative approach is used such as the achievement of pre-determined contract milestones.

1. Accounting Policies *(continued)*

(h) Turnover *(continued)*

ii) Long term contracts (continued)

Milestones are considered to have been achieved where the customer has acknowledged that the obligations under the contract are complete, or considered to be virtually certain, as at the year end date.

Revenue in respect of variations to contracts, claims and incentive payments are recognised when it is highly likely that it will be agreed by the customer. Profit attributable to long term contracts is recognised if the final outcome of such contracts can be reliably assessed. On all contracts, full provision is made for any losses in the year in which they are first foreseen.

iii) Rendering of services

Turnover from the provision of services is recognised as the contract activity progresses to reflect the performance of the underlying contractual obligations.

(i) Research and Development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is capitalised as an intangible asset where the company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

(j) Research and Development Expenditure Credits

Research and development expenditure credits are recognised based on the level of qualifying research and development expenditure incurred by the company. Expenditure credits are either used to reduce the tax charge incurred by the company or, where the company is loss making, group relieved to other companies within the Marshall of Cambridge (Holdings) Limited group.

(k) Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its useful economic life as follows:

Leasehold Property	3-20 years
Plant and Machinery	3-8 years
Motor Vehicles	3-5 years
Aircraft	5-20 years
Runway	20 years

Depreciation is provided when the assets are available for use.

The carrying values of tangible fixed assets are reviewed for impairment when events of changes in circumstances indicate the carrying value may not be recoverable.

1. Accounting Policies *(continued)*

(l) Intangible Assets
Intangible assets are stated at cost less accumulated amortisation and impairment losses. Intangible assets are tested annually for impairment or otherwise when circumstances change.

Amortisation begins when an assets is acquired or becomes available for use and is calculated on a straight line basis to allocate the costs of assets over their estimated useful life as follows:

Computer Software	3 - 8 years
Development Costs	over the life of the project

(m) Assets in Course of Construction
Assets under construction are included in property, plant and machinery on the basis of expenditure incurred at the balance sheet date and are no depreciated until the assets are complete and available for use. In the case of assets constructed by the Group, the value includes the cost of own work completed.

(n) Stocks and Work In Progress
Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Work in progress is valued at the lower of cost and net realisable value. Cost includes, where appropriate, labour and factory overheads. Long term contract work in progress is stated at cost, as defined above, less amounts transferred to the income statement and provision for any known or anticipated losses and payments on account received and receivable.

(o) Operating Leases
Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

(p) Pension Costs
Marshall of Cambridge (Holdings) Limited group operates a number of different pension funds, including both defined contribution and defined benefit schemes, for the employees of the group. The assets of all the schemes are held in separately administered trust funds. For the defined contribution schemes, contributions are recognised in the profit and loss account in the period in which they become payable.

The defined benefit scheme is a group plan. It is not possible for the company to obtain sufficient information to enable it to account for the plan as a defined benefit plan, therefore it accounts for the plan as a defined contribution plan

(q) Deferred Taxation
Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

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

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the period end date.

1. Accounting Policies *(continued)*

(r) Foreign Currencies
Transactions in foreign currencies are initially recorded in the company's functional currency by applying the spot exchange rate ruling at the date of the transaction. 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 profit and loss account.

(s) Derivative Financial Instruments
The company uses forward foreign currency contracts to reduce exposure to foreign exchange rates.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit and loss. Derivatives are carried as assets where the fair value is positive and as liabilities where the fair value is negative.

The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

Changes in the value of derivatives are recognised in profit or loss within administrative expenses, except where they have been designated as qualifying cash flow hedges. Gains or losses on derivatives designated as cash flow hedges are initially recognised within other comprehensive income, and subsequently recycled to profit or loss when the derivative is settled.

(t) Investments
Fixed asset investments are stated at cost less provision for diminution in value.

(u) Impairment
The company assesses at each reporting date whether an asset may be impaired. If any such indication exists the company estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss unless the asset is carried as a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

An impairment loss recognised for all assets is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

(v) Provisions for Liabilities
A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

(w) Separately disclosed exceptional items
Items which are material and significant are presented as exceptional items within their relevant Income Statement category. The separate reporting of exceptional items helps provide additional useful information regarding the Group's underlying business performance.

(x) Trade and other debtors and creditors
Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

2. Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax.

The turnover and profit before tax are attributable to the company's principal activities of aerospace engineering for various business streams.

An analysis of turnover by geographical destination is given below:

	2022 £000	2021 £000
United Kingdom	151,545	104,807
Rest of Europe	22,292	30,802
North America	32,248	29,306
Rest of World	34,791	57,155
	240,876	222,070

An analysis of turnover by business stream is given below:

	2022 £000	2021 £000
Military Aerospace	211,333	192,786
Aerostructures	26,575	25,669
Major Projects	502	1,746
Other	2,466	1,869
	240,876	222,070

3. Exceptional items

	2022 £000	2021 £000
Major project loss provision[1]	-	6,930
Exceptional items relating to cost of sales	-	6,930
Restructuring programme[1]	1,244	526
Intangible Asset impairment[1]	-	4,352
COVID-19 expenses[1]	-	1,138
Profit on disposal of Investment[1]	-	(350)
Exceptional items	1,244	5,666
Total exceptional items	1,244	12,596

[1] The directors consider these costs to be non-routine in nature

4. Other Operating Income

	2022 £000	2021 £000
Rent receivable	-	147
Research and development expenditure credits	425	352
	425	499

Marshall of Cambridge Aerospace Limited

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022

5. Operating Profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	2022	2021
	£000	£000
Research and development expenditure	1,585	969
Depreciation of owned tangible fixed assets (see note 12)	4,855	3,987
Amortisation of intangible fixed assets (see note 11)	2,180	1,859
(Profit) on disposal of tangible fixed assets	-	(25)
Operating lease costs:		
- Plant and equipment	707	459
- Land and buildings	-	3,323
Realised foreign exchange loss	383	21
Unrealised foreign exchange (gain)/ loss	(280)	18
Exceptional items relating to cost of sales	-	6,930
Other separately disclosed items	1,244	5,666
Repayment of Furlough	-	349
Audit of the financial statements of the company:		
2021 Audit fee	-	305
2022 Audit fee	530	-

6. Particulars of Employees

The average monthly number of employees (including executive directors) of the company during the financial year was:

	2022	2021
	No.	No.
Production	671	791
Administration and management	469	499
	1,140	1,290

The aggregate payroll costs of the above were:

	2022	2021
	£000	£000
Wages and salaries	59,827	57,881
Social security costs	6,453	6,005
Other pension costs – defined benefit schemes (note 18)	-	-
Other pension costs – defined contribution schemes (note 18)	4,310	4,770
	70,590	68,656

Marshall of Cambridge Aerospace Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

7. Directors' Remuneration

The directors' aggregate remuneration in respect of qualifying services were:

	2022 £000	2021 £000
Remuneration	726	766
Compensation for loss of office	-	-
Pension contributions to group defined contribution schemes	33	40
	759	806

Remuneration of highest paid director:

	2022 £000	2021 £000
Remuneration	356	323
Pension contributions to group defined contribution schemes	18	23
	374	346

The number of directors who accrued benefits under company pension schemes was as follows:

	2022 No	2021 No
Defined benefit schemes	-	-
Defined contribution schemes	2	2

8. Interest Receivable and Similar Income

	2022 £000	2021 £000
Bank interest receivable	-	-

9. Interest Payable and Similar Expenses

	2022 £000	2021 £000
Interest payable to group undertakings	519	125

Marshall of Cambridge Aerospace Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

10. Tax on Profit/(Loss)

(a) Tax on profit/(loss) on ordinary activities

	2022 £000	2021 £000
Current tax:		
UK Taxation		
UK corporation tax based on the profit for the year at 19.00% (2021: 19.00%)	3,768	-
Adjustments in respect of prior years	(356)	99
Adjustments in respect of group relief	3,728	(2,907)
	7,140	(2,808)
Deferred tax		
Origination and reversal of timing differences	3,393	1,903
Adjustments in respect of prior years	-	(170)
Effect of tax rate changes on opening liability	-	(2)
	3,393	1,731
Tax on profit/(loss)	10,533	(1,077)

(b) Tax included in Other Comprehensive Expense

	2022 £000	2021 £000
Deferred tax		
Total tax (credit) included in other comprehensive expense	(597)	(238)

10. Tax on profit/(loss) *(continued)*

(c) Factors affecting current tax charge/(credit)
The UK standard rate of corporation tax is 19.00% (2021: 19.00%). The actual tax charge for the current and previous years varies from the standard rate for reasons set out in the following reconciliation:

	2022	2021
	£000	£000
Profit/(loss) on ordinary activities before taxation	38,939	(6,332)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax of 19.00% (2021: 19.00%)	7,399	(1,203)
Expenses not deductible for tax purposes	244	260
Research and development enhanced claim	183	(50)
Tax impact of rolled over capital gains	3,089	-
Effect of differences in tax rate changes on opening liability	-	(2)
Effect of differences in tax rate	(25)	(11)
Adjustments in respect of prior years	(357)	(71)
Total tax charge/(credit) (note 10(a))	10,533	(1,077)

(d) Factors that may affect future tax charges
The standard rate of tax applied to reported profit on ordinary activities is 19.00% (2021: 19.00%).

A deferred tax asset of £238,902 (2021: £231,654) in respect of timing differences between capital allowances and £nil (2021: £299,483) in respect of tax losses has been recognised on the basis the Group has sufficient certainty over recoverability against future taxable profits of the Group

During the year beginning 1 January 2023, the net reversal of deferred tax assets and liabilities is expected to decrease the corporation tax charge for the year by £238,902. This is due to the anticipated reversal of deferred tax on fixed asset timing differences and utilisation of brought forward tax losses.

11. Intangible Assets

	AICC	Computer Software	Total
	£000	£000	£000
Cost			
At 1 January 2022	-	11,259	11,259
Impairment adjustment	-	4,352	4,352
At 1 January 2022 (restated)	-	15,611	15,611
Additions	939	-	939
Transfer from/ (to) tangible asset	1,051	-	1,051
Transfers	(1,701)	1,701	-
At 31 December 2022	289	17,312	17,601
Accumulated Amortisation			
At 1 January 2022	-	2,305	2,305
Opening balance adjustment	-	4,352	4,352
At 1 January 2022 (restated)	-	6,657	6,657
Charge for the year	-	2,180	2,180
At 31 December 2022	-	8,837	8,837
Net Book Value			
At 31 December 2022	289	8,475	8,764
At 31 December 2021	-	8,954	8,954

The opening balance adjustment within relates to software assets of £1,050,000 included within assets under development within tangible fixed assets (note 12) in the prior period. These have been reclassified to intangible assets to better reflect the nature of these items. In addition, in the prior year the impairment charge of Company's ERP system was incorrectly charged against the assets cost. The impaired cost of £4,352,000 has been adjusted with an equivalent amount of accumulated amortisation. As a result the brought forward cost and accumulated depreciation of Computer equipment have both been increased by £4,352,000. There has been no change to the Company's income statement, statement of comprehensive income or statement of financial position.

Marshall of Cambridge Aerospace Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

12. Tangible Assets

	Leasehold Property £000	Aircraft £000	Plant and Machinery £000	Motor Vehicles £000	Runway £000	AICC £000	Total £000
Cost							
At 1 January 2022	5,201	476	73,393	2,466	21,996	6,846	110,378
Additions	-	-	-	-	-	3,758	3,758
Disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Transfer from/ (to) intangible asset	-	-	-	-	-	(1,050)	(1,050)
Transfers	762	-	1,766	18	9	(2,555)	-
At 31 December 2022	5,963	476	75,159	2,484	22,005	6,999	113,086
Accumulated Depreciation							
At 1 January 2022	3,310	467	59,384	2,466	7,799	-	73,426
Charge for the year	433	8	3,037	1	1,376	-	4,855
Impairment	-	-	-	-	-	1,422	1,422
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
At 31 December 2022	3,743	475	62,421	2,467	9,175	1,422	79,703
Net Book Value							
At 31 December 2022	2,220	1	12,738	17	12,830	5,577	33,383
At 31 December 2021	1,891	9	14,009	-	14,197	6,846	36,952

The opening balance adjustment relates to software assets included within assets under development in the prior period. These have been reclassified to intangible assets (note 11) to better reflect the nature of these items.

Marshall of Cambridge Aerospace Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

13. Investments

	Shares in subsidiary undertakings £000
Cost	
Cost at 1 January 2022	20,220
Opening balance adjustment	(10,833)
Cost at 31 December 2022	9,387
Amounts provided	
At 1 January 2022	15,870
Opening balance adjustment	(10,833)
At 31 December 2022	5,037
Net Book Value	
At 31 December 2022	4,350
At 31 December 2021	4,350

The opening balance adjustment relates to an error in the prior period where balances were shown for an asset which had been fully provided for and subsequently written off in prior periods. There has been no change in the company's income statement, statement of comprehensive income or statement of financial position.

At 31 December 2022 the company owns 20% or more of the issued share capital of the following companies:

Company	Registered Address	Country of registration or incorporation	Class of shares held	%
Marshall Aerospace Canada, Inc.	30470 Approach Dr. Abbotsford,British Columbia, V2T 6H5 Canada	Canada	Ordinary	100
Marshall Aerospace Netherlands B.V.	Marinevliegkamp 340 2236 ZZ Valkenburg, Netherlands	Netherlands	Ordinary	100
Slingsby Holdings Limited	Airport House, The Airport, Cambridge, CB5 8RY	England and Wales	Ordinary	100
Aeroacademy Limited	Airport House, The Airport, Cambridge, CB5 8RY	England and Wales	Ordinary	100
Marshall Middle East Limited	Airport House, The Airport, Cambridge, CB5 8RY	England and Wales	Ordinary	100
Marshall Aerospace & Defence France SAS	6 Place De La Madeleine, 75008, Paris	France	Ordinary	100
Marshall USA LLC	1209 Orange Street, City of	USA	Ordinary	100

Wilmington, Delaware,
19801, USA

13. Investments (continued)

Marshall Aerospace Canada, Inc. began trading in 2006. Its principal activity is to provide design engineering support to the Royal Canadian Air Force. It made a post-tax loss of £64,831 (2021: profit of £333,256) and held capital and reserves surplus at 31 December 2022 of £7,195,756 (2021: surplus £6,900,462).

Marshall Aerospace Netherlands B.V. began trading in 2006. Its principal activity is to supply design engineering services to the aerospace industry. It made a post-tax profit of £89,085 (2021: profit of £108,001) and held capital and reserves surplus at 31 December 2022 of £649,920 (2021: surplus £528,315).

Slingsby Holdings Limited is an investment holding company and at 31 December 2022 holds 100% of the share capital of Slingsby Advanced Composites Limited. Slingsby Advanced Composites Limited's principal activity is the design, manufacture and marketing of structural composite and metal structures for the defence, aerospace/aviation, marine and rail industries.

Slingsby Holdings Limited made a post-tax loss for the year ended 31 December 2022 of £nil (2021: £nil) and held capital and reserves surplus at 31 December 2022 of £699,998 (2021: surplus £699,998).

Aeroacademy Limited has not traded since its incorporation. It held capital and reserves at 31 December 2022 of £1 (2021: £1).

Marshall Middle East Limited's principal activity is to conduct business development activities within the Middle East on behalf of Marshall of Cambridge Aerospace Limited. It made a post-tax profit of £228,831 (2021 post tax profit of £14,487) for the period ended 31 December 2022 and held a capital and reserves deficit at 31 December 2022 of £358,627 (2021 deficit £587,658).

Marshall Aerospace & Defence France SAS was incorporated in 2020. Its principal activity is to conduct business development activities within France on behalf of Marshall of Cambridge Aerospace Limited. For the year ended 31 December 2022 the company generated a post-tax profit of £7,506 (2021: profit £8,443). It has a capital and reserves surplus at 31 December 2022 of £20,856 (2021: surplus £12,642).

Marshall USA LLC was incorporated in 2021. Its principal activity is to conduct business development activities within the USA on behalf of Marshall of Cambridge Aerospace Limited. For the year ended 31 December 2022 the company generated a pre-tax loss of £22,970 (2021: pre-tax loss of £412,489). It has a capital and reserves deficit at 31 December 2022 of £473,959 (2021: deficit £412,000)

14. Stocks

	2022 £000	2021 £000
Raw materials	11,012	12,216
Less: Stock obsolescence provision	(4,212)	(4,784)
	6,800	7,432
Work in progress	3,587	3,005
	10,387	10,437

The difference between purchase price or production cost of raw materials and their replacement cost is not considered material.

Stocks recognised as an expense in the year were £75,541,270 (2021: £167,951,126).

Progress payments receivable in excess of the value of work done on individual contracts less provisions are shown separately under Creditors: Amounts falling due within one year on the statement of financial position (see note 17).

Raw material balance at year is presented at gross value and stock obsolescence provision is presented separately, this presentation change led to change prior period values in line with the current year. This is consistent approach matching with the parent company's financial statements. In the prior period, raw material was presented as net value after adjusting stock obsolescence provision.

15. Debtors

	2022 £000	2021 £000
Trade debtors	23,774	17,273
Amounts owed by group undertakings	63,723	6,152
Amounts recoverable on long term contracts	21,723	23,253
Other debtors	1,142	2,634
Prepayments and accrued income	2,704	4,582
Derivative financial instruments	547	1,476
Deferred tax asset (see note 16)	-	686
Corporation tax receivable	-	1,548
	113,613	57,604

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

16. Creditors: Amounts Falling due Within One Year

	2022 £000	2021 £000
Payments received on account	48,692	20,995
Trade creditors	10,320	15,284
Amounts owed to group undertakings	39,434	30,568
Other taxation and social security	4,847	6,832
Other creditors	438	252
Accruals and deferred income	18,805	13,130
Corporation tax payable	1,962	-
Derivative financial instruments	2,230	952
	126,728	88,013

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

17. Pensions

The company participates in two of the pension schemes which are operated by Marshall of Cambridge (Holdings) Limited (the "Group") for the benefit of its employees, one of which has elements of both defined benefit and defined contribution, while the other is entirely defined contribution. The schemes are funded by the payment of contributions to trustee-administered funds which are kept independently from the assets of the Group.

The scheme which has elements of both defined benefit and defined contribution is known as the Marshall Group Executive Pension Plan (the "Plan"). The level of defined benefit pension contribution is determined with the advice of independent qualified actuaries. It is not possible to apportion the underlying assets and liabilities of the scheme to the individual companies on a consistent and reasonable basis. The company is therefore accounting for the contributions to the scheme as if it were a defined contribution scheme. The total pension cost for the company in respect of this scheme was £nil (2021: £nil). As disclosed in the Group financial statements, at 31 December 2022 here is a deficit on the scheme of £118,000 as calculated in accordance with FRS 102, Section 28. At 31 December 2021 the scheme was in surplus, although as required by FRS102 this surplus was not been recognised.

The total pension cost for the year for the company in respect of the defined contribution scheme was £4,310,275 (2021: £4,769,626).The total unpaid pension contributions outstanding at the year end, and included in other creditors, amounted to £658,257 (2021: £712,631).

Marshall of Cambridge Aerospace Limited

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

18. Provisions

	2022 £000	2021 £000
Balance at 1 January 2022	6,833	4,818
Additional provisions created during the year	1,964	8,149
Deferred tax liabilities	2,110	-
Amounts utilised in the year	(3,053)	(6,134)
Balance carried forward 31 December 2022	7,854	6,833

Further breakdown of 2022 provisions:

	Contract loss provisions £000	Deferred tax provision £000	Total £000
Balance at 1 January 2022	6,833	-	6,833
Deferred tax asset 1 January 2022	-	(686)	(686)
Additional provisions created during the year	1,964	3,393	5,357
Additional provisions created during the year in other comprehensive income	-	(597)	(597)
Amounts utilised in the year	(3,053)	-	(3,053)
Balance carried forward 31 December 2022	5,744	2,110	7,854

The deferred tax liability / (asset) consists of the tax effect of timing differences in respect of:

	2022 £000	2021 £000
Excess of depreciation over taxation allowances	(239)	(232)
Rolled over capital gains	3,089	-
Impact of tax losses carried forward	-	(299)
Impact of short term timing differences	(11)	(182)
Other short term timing differences	(308)	(149)
Deferred tax on cashflow hedge reserve	(421)	176
Balance carried forward 31 December 2022	2,110	(686)

19. Commitments under Operating Leases

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Land & buildings		Plant & equipment	
	£000's	£000's	£000's	£000's
	2022	2021	2022	2021
Within 1 year	-	174	240	226
Between 2 to 5 years	-	-	467	640
	-	174	707	866

20. Contingencies

The company has given various guarantees to its bankers mainly in relation to performance bonds, which at the year-end amounted to £4,733,426 (2021: £4,896,027). These would require the company to make certain payments in the event it does not perform what is expected of it under the terms of related contracts. The company does not anticipate making any payments in relation to these performance bonds.

The Company had access to the parent company's £75,000,000 (2021: £75,000,000) banking facility which was secured by cross guarantees between certain members of the parent company's group. The Company was one of these members. This facility was cancelled on 23 December 2022. At the 31 December 2022 there was £nil outstanding (2021 - £53,384,000).

From 23 December 2022 the Company had access to the parent company's £15,000,000 overdraft facility and its €3,500,000 overdraft facility both of which are secured by certain members of the parent company's group. The Company is one of these members. At 31 December 2022 there was £nil and €1,988,000 (2021 - £nil and €nil) outstanding on these facilities.

21. Contingent Liabilities

The Company recognises provisions for liabilities when it is more likely than not that a settlement will be required and the value of such a payment can be reliably estimated. As a large organisation, the Company has a number of contracts with customers to deliver services and products, as well as with its supply chain. From time to time the Company is involved in disputes and litigation, which have arisen in the course of its normal trading in connection with these contracts. No claims exist at the balance sheet date (2021: Nil).

22. Related Party Transactions

The company has taken advantage of the exemption in FRS 102 Section 33 Related Party Disclosures paragraph 33.7 not to disclose transactions with fellow subsidiary undertakings of the Marshall of Cambridge (Holdings) Limited group.

23. Called Up Share Capital

Allotted, called up and fully paid:

	2021 £000	2020 £000
12,000,000 Ordinary shares of £1 each	12,000	12,000

	2022 £000	2021 £000
12,000,000 Ordinary shares of £1 each	12,000	12,000

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

24. Cash Flow Hedge Reserve

This reserve is used to record changes in the fair value of financial instruments designated as cash flow hedges.

25. Capital Commitments

Amounts contracted for but not provided in the report and financial statements amounted to £3,663,538 (2021: £861,505).

26. Ultimate Parent Company and Controlling Party

The immediate parent undertaking is Marshall ADG Limited. The ultimate parent company and controlling party continues to be Marshall of Cambridge (Holdings) Limited.

The parent undertaking of the smallest and the largest group of undertakings for which consolidated financial statements are prepared and of which the company is a member is Marshall of Cambridge (Holdings) Limited, registered in England and Wales, and this is therefore considered to be the ultimate parent undertaking and also the ultimate controlling party. Copies of these consolidated financial statements can be obtained from Marshall of Cambridge (Holdings) Limited, Airport House, The Airport, Cambridge, CB5 8RY.

27. Post Balance Sheet Note

The company has no post balance sheet items to disclose.