

Company Registration No. 03878561 (England and Wales)

MEGGITT ADVANCED COMPOSITES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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MEGGITT ADVANCED COMPOSITES LIMITED

COMPANY INFORMATION

| | |
|--------------------------|---|
| Director | I K Pargeter M L Thomas K Lewis |
| Secretary | S R Grant |
| Company number | 03878561 |
| Registered office | Pilot Way Ansty Business Park Coventry CV7 9JU |

MEGGITT ADVANCED COMPOSITES LIMITED

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MEGGITT ADVANCED COMPOSITES LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and unaudited financial statements for the year ended 31 December 2019.

The Company has not prepared a Strategic Report in accordance with section 414B of the Companies Act 2006.

Director

The directors who held office during the year and up to the date of approval of the financial statements were as follows:

I K Pargeter

M L Thomas

P E Green (Resigned 31 December 2019)

K Lewis (Appointed 1 April 2020)

Principal activities and business review

The company holds interest bearing loan receivables from fellow group companies of Meggitt PLC. The company made a profit for the financial year of £853,000 (2018: £836,000) and has net assets of £53,106,000 as at 31 December 2019 (2018: £52,253,000). The directors do not recommend payment of a dividend (2018: £nil).

Results and dividends

The results for the year are set out on page 3. The Directors have not declared a dividend for the financial year ending 31 December 2019 (2018: £nil).

Post reporting date events

Implications of COVID-19 on the business

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. As the epidemic evolves, many areas have increasing cases and a high rate of local transmission of COVID-19. As of now, COVID-19 has since spread to over 150 countries worldwide and on March 11, 2020 the World Health Organization ('WHO') declared COVID-19 a pandemic.

The spread of the COVID-19 outbreak has caused severe disruptions in the UK and global economy and financial markets and could potentially create widespread business continuity issues of an as yet unknown magnitude and duration. Many countries, including UK, have reacted by instituting quarantines, mandating business and school closures and restricting travel. Many experts predict that the outbreak will trigger a period of global economic slowdown or a global recession.

As a non-trading company with no employees other than the directors (who are remunerated by other companies within the Group), the pandemic has not had a direct impact on the entity, nor is expected to do so in the future.

As COVID-19 is considered a non-adjusting subsequent event, any impact on the recoverability of assets in the balance sheet has not been adjusted. There is a risk that the lockdowns and impact on the aerospace industry driven by COVID-19 result in an impact to the recoverability of assets; however, this cannot be quantified at this time.

Likely future developments

The directors continue to rely on funds being made available to the company by its parent company to enable it to discharge its liabilities.

The response to the impact of COVID-19 is set out in the Post reporting date events section. It is our view, to the best of our current knowledge, that there is not a material effect on the company's ability to continue as a going concern as a result of the pandemic. The directors have considered the impact of going concern in note 1.2.

MEGGITT ADVANCED COMPOSITES LIMITED

DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Directors' indemnities

The directors have the benefit of qualifying third-party indemnity provisions for the purposes of Section 234 of the Companies Act 2006. This remained in force during the financial year and also at the date of approval of these financial statements.

Financial risk management objectives and policies

The key financial risk management objectives and policies are fully discussed in the context of the Meggitt PLC Group as a whole, on page 44 and in note 3 on pages 141 to 142 of the Group's 2019 annual report which does not form part of this report.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework" and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

The directors are 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.

Approved by the Board of Directors on 18 December 2020.

Signed by order of the Board



S R Grant
Secretary

18 December 2020

MEGGITT ADVANCED COMPOSITES LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

| | Note | 2019 £000 | 2018 £000 |
|---|-------------|----------------------|----------------------|
| Interest receivable from group undertakings | | 1,053 | 1,032 |
| Profit before taxation | | <u>1,053</u> | <u>1,032</u> |
| Tax on profit | 5 | (200) | (196) |
| Profit for the financial year | | <u><u>853</u></u> | <u><u>836</u></u> |

The income statement has been prepared on the basis that all operations are continuing operations.

The company has no other comprehensive income or expenses other than the profit for the years as set out above, and therefore no separate statement of comprehensive income has been presented.

MEGGITT ADVANCED COMPOSITES LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

| | Note | 2019 £000 | 2018 £000 |
|--|------|--------------|--------------|
| Non-current assets | | | |
| Other receivables | 6 | 53,697 | 52,644 |
| Current liabilities | | | |
| Other payables | 7 | (591) | (391) |
| Net current liabilities | | (591) | (391) |
| Total assets less current liabilities | | 53,106 | 52,253 |
| Net assets | | 53,106 | 52,253 |
| Capital and reserves | | | |
| Other reserves | | 499 | 499 |
| Retained earnings | | 52,607 | 51,754 |
| Total equity | | 53,106 | 52,253 |

The notes on pages 6 to 11 are an integral part of these financial statements.

The financial statements on pages 3 to 11 were approved by the Board of Directors and authorised for issue on 18 December 2020.

Audit exemption statement

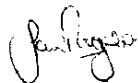
For the year ending 31 December 2019 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476;

the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Signed on behalf of the Board:



I K Pargeter
Director
18 December 2020

Company Registration No. 03878561

MEGGITT ADVANCED COMPOSITES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

| | Other reserves* £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|--|
| Balance at 1 January 2018 | 499 | 50,918 | 51,417 |
| Profit for the financial year, being total comprehensive income | - | 836 | 836 |
| Balance at 31 December 2018 | 499 | 51,754 | 52,253 |
| Profit for the financial year, being total comprehensive income | - | 853 | 853 |
| Balance at 31 December 2019 | 499 | 52,607 | 53,106 |

* The other reserve relates to share based payments awarded to the directors of the company by the ultimate parent company, Meggitt PLC.

MEGGITT ADVANCED COMPOSITES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

General Information

The company holds interest bearing loan receivables from fellow group companies of Meggitt PLC. The company is private, limited by shares and incorporated and domiciled in the UK. The address of its registered office is Pilot Way, Ansty Business Park, Coventry, CV7 9JU.

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements have been prepared on the historical cost basis and in accordance with the Companies Act 2006.

These policies have been applied consistently to all years presented unless otherwise stated.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1 'Presentation of Financial Statements';
- the requirements of paragraphs 10(d), 16 and 134-136 of IAS 1 'Presentation of Financial Statements';
- the requirements of IAS 7 'Statement of Cash Flows';
- the requirements of paragraph 17 of IAS 24 'Related Party Disclosures';
- the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Meggitt Advanced Composites Limited is a wholly owned subsidiary of Meggitt PLC and the results of Meggitt Advanced Composites Limited are included in the consolidated financial statements of Meggitt PLC which are publicly available, as set out in note 10.

MEGGITT ADVANCED COMPOSITES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.2 Going concern

The directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from the date of this report. For this reason, the directors continue to adopt the going concern basis in preparing the company financial statements.

In reaching this conclusion, the directors have considered:

- the financial position of the company as set out in this report and additional information provided in the financial statements;
- the resources available to the company; and
- the principal risks and uncertainties to which the Meggitt PLC Group is exposed, as set out on pages 46 to 49 of the Meggitt PLC Annual Report & Accounts 2019 (which do not form part of these financial statements), the likelihood of them arising and the mitigating actions available.
- the impact of COVID-19 on both the entity and the Meggitt PLC group as part of their assessment.

As a Group, we are closely monitoring the potential impact of COVID-19 on our 2020 financial results and cashflows and have prepared a detailed model and revised projections for the business.

To model the expected impact of COVID-19 on the Group, a base case model has been developed which reflects its current view of the most likely impact on the Group's revenues, the extent to which appropriate mitigating actions on costs can be implemented and how this impacts cash flows over the next five years. In assessing whether the going concern principle remains appropriate, the Group has leveraged the output from this model covering the period to 31 December 2022. The Group has also considered the liquidity available to it over the period to 31 December 2022. This model has also been stress tested using a downside ('severe but plausible') scenario. Under the downside scenario, the Group has sufficient financing to be able to meet its obligations as they fall due in the period under assessment, and no covenants contained within external funding agreements would be breached.

Based on the above, the directors have therefore concluded it is appropriate to adopt the going concern principle in these financial statements.

1.3 Other receivables

Other receivables are initially recognised at fair value and subsequently measured at amortised cost less any impairment losses. The company applied the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, other receivables have been grouped based on shared credit risk characteristics. Expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. The borrowers' access to sufficient highly liquid assets in order to repay the loan if demanded at the reporting date is assessed to consider the expected manner of recovery to measure expected credit losses. If the recovery strategies indicate that the lender would fully recover the outstanding balance of the loan, the expected credit loss will be limited to the effect of discounting the amount due on the loan at the loan's effective interest rate over the period until cash is realised.

1.4 Other payables

Other payables are initially recognised at fair value and subsequently measured at amortised cost. Other payables are not interest bearing.

MEGGITT ADVANCED COMPOSITES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.5 Current tax

Current tax is based on taxable profit for the period, calculated using tax rates enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax is recognised in the income statement, other comprehensive income or directly in equity depending on where the item to which they relate has been recognised.

The Meggitt PLC group includes a number of companies, including the company, which are part of a tax group for certain aspects of the tax legislation. One of these aspects relates to group relief whereby current tax liabilities can be offset by current tax losses arising in other companies within the same tax group. Payment for group relief is made equal to the tax benefit and amounts are included within the current tax disclosures.

2 Critical accounting estimates and judgements

In applying the company's accounting policies set out in note 1, the company is required to make certain estimates and judgements concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from these estimates.

Significant accounting estimates

Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the end of the reporting period. Through the process of applying the company's accounting policies the directors have not identified assumptions made about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Significant accounting judgements

In the process of applying the company's accounting policies, the directors have not made judgements that significantly affect the amounts it has recognised in the financial statements.

3 Auditor's remuneration

Audit fees for the year were borne by the ultimate parent company, Meggitt PLC. The following allocation is made, but has not been recharged to the company:

| | 2019 | 2018 |
|---|------|-------|
| | £ | £ |
| Audit fees payable to the company's auditor | - | 2,100 |

MEGGITT ADVANCED COMPOSITES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

4 Employees and directors

The company has no employees (2018: none).

The company paid no directors' emoluments during the year ended 31 December 2019 (2018: nil). The directors are employees of Meggitt PLC and are remunerated by that company for their services to the group as a whole. The directors do not receive any remuneration in their capacity as directors of Meggitt Advanced Composites Limited (2018: nil), as their services were incidental to their services to the Group.

Three of the directors exercised options in the shares of the ultimate holding company, Meggitt PLC, during the year (2018: four). No options were issued in regards to services for Meggitt Advanced Composites Limited (2018: none).

5 Tax on profit

| | 2019 £000 | 2018 £000 |
|-----------------------|--------------|--------------|
| Current tax | | |
| Current year taxation | 200 | 196 |

Tax charge for the year is equal to (2018: equal to) the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19.00% (2018: 19.00%).

| | 2019 £000 | 2018 £000 |
|--|--------------|--------------|
| Profit before taxation | 1,053 | 1,032 |
| Effects of: | | |
| Profit before taxation multiplied by the standard rate of tax in the UK of 19.00% (2018: 19.00%) | 200 | 196 |
| Tax charge for the year | 200 | 196 |

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporate tax rate from 19% to 17%. This announcement does not constitute substantive enactment and therefore deferred taxes at the balance sheet date continue to be measured at the enacted tax rate of 17%. It has been confirmed after the reporting date that the corporation tax rate remains at 19% after 1 April 2020.

MEGGITT ADVANCED COMPOSITES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

6 Other receivables

| | 2019 £000 | 2018 £000 |
|--|--------------|--------------|
| Amounts due from fellow group undertakings | 53,697 | 52,644 |

Amounts due from fellow group companies are unsecured, repayable on demand and interest bearing at 2%. Both parties expect and intend that the amounts remain outstanding for the foreseeable future and therefore in substance the instrument is long-term in nature and is classified as non-current.

7 Other payables

| | 2019 £000 | 2018 £000 |
|--|--------------|--------------|
| Amounts due to fellow group undertakings | 195 | 195 |
| Group relief payable | 396 | 196 |
| | 591 | 391 |

Amounts due to fellow group are unsecured, interest free and repayable on demand.

8 Share capital

| | 2019 No. | 2018 No. | 2019 £ | 2018 £ |
|--|-------------|-------------|-----------|-----------|
| Allotted, issued and fully paid | | | | |
| Ordinary shares of £1 each | 100 | 100 | 100 | 100 |

9 Events after the reporting date

Implications of COVID-19 on the business

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. As the epidemic evolves, many areas have increasing cases and a high rate of local transmission of COVID-19. As of now, COVID-19 has since spread to over 150 countries worldwide and on March 11, 2020 the World Health Organization ('WHO') declared COVID-19 a pandemic.

The spread of the COVID-19 outbreak has caused severe disruptions in the UK and global economy and financial markets and could potentially create widespread business continuity issues of an as yet unknown magnitude and duration. Many countries, including UK, have reacted by instituting quarantines, mandating business and school closures and restricting travel. Many experts predict that the outbreak will trigger a period of global economic slowdown or a global recession.

As a non-trading company with no employees other than the directors (who are remunerated by other companies within the Group), the pandemic has not had a direct impact on the entity, nor is expected to do so in the future.

As COVID-19 is considered a non-adjusting subsequent event, any impact on the recoverability of assets in the balance sheet has not been adjusted. There is a risk that the lockdowns and impact on the aerospace industry driven by COVID-19 result in an impact to the recoverability of assets; however, this cannot be quantified at this time.

MEGGITT ADVANCED COMPOSITES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

10 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Meggitt Aerospace Limited. The ultimate parent undertaking and controlling party is Meggitt PLC, a company incorporated in the United Kingdom. Meggitt PLC is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2019. The consolidated financial statements of Meggitt PLC are available from its registered office: Pilot Way, Ansty Business Park, Coventry, CV7 9JU.