

**HAMBLE AEROSTRUCTURES LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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# HAMBLE AEROSTRUCTURES LIMITED

## COMPANY INFORMATION

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**Director** J I Lopez Gandasegui

**Company number** 12109077

**Registered office** Kings Avenue  
Hamble-Le-Rice  
Southampton  
Hampshire  
United Kingdom  
SO31 4NF

**Accountants** Azets  
Carnac Place  
Cams Hall Estate  
Fareham  
Hampshire  
United Kingdom  
PO16 8UY

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# HAMBLE AEROSTRUCTURES LIMITED

## CONTENTS

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	<b>Page</b>
Strategic report	1 - 4
Director's report	5 - 6
Income statement	7
Statement of comprehensive income	8
Statement of financial position	9 - 10
Statement of changes in equity	11
Notes to the financial statements	12 - 25

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# HAMBLE AEROSTRUCTURES LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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The director presents the strategic report for the year ended 31 December 2020.

### **Fair review of the business**

The company recorded a loss before taxation of £32.5 million. The goodwill acquired from GE Aviation Systems Limited has been capitalised and will be amortised over 10 years.

Operating revenues were below expectation at £76.3 million, primarily due to the impact of the COVID 19 pandemic.

The net liability position of the company's balance sheet is £42.3 million.

The aeronautical sector was not an exception in the crisis unleashed by COVID-19 but was rather one of the most profoundly affected sectors. The first direct consequence of the crisis was the drastic decline in air traffic. Six out of every ten aircraft remained on the ground during 2020 and the impact on the businesses of airline companies was passed on to the aeronautical industry.

Based on the effectiveness and pace of global vaccination campaigns, the European Organization for the Safety of Air Navigation (Eurocontrol) does not expect air traffic to recover to the levels of 2019, in the best scenario, before 2026. The crisis in the aeronautical sector is not a passing matter as the changes it has caused are leading the industry to a new business model. The companies operating in the sector must adapt themselves, not only to a reduced market, but also to the profound changes arising out of teleworking, technological development, and environmental sustainability. These are factors that will undoubtedly affect how people travel from now on.

During recent years, the Group has positioned itself as one of the world leaders in the design and manufacture of empennages in composite materials and one of the main Tier-1 entities in the Aerostructures sector with a strong international presence. The measures taken during 2020 allowed the initial shock to be mitigated. However, the process for adapting Group companies to the new challenges our clients demand must continue.

The effects of the crisis will continue to be very noticeable during 2021. A large part of the global fleet will remain underused and, consequently, the delivery of new aircraft will be seriously affected.

The Group will continue taking the necessary measures to adapt its productive capacity to the demand expected for coming periods, protect its financial health, and return to profits as soon as possible. The Group obtains a significant part of its invoicing in US dollars. Consequently, the directors of the Parent follow the policy of insuring the expected cash flows for each year using the instruments available for this purpose in financial markets. The performance of exchange rates will influence Group results in 2021 and beyond.

Despite COVID-19 aforementioned impact to demand particularly in the civil market, Hamble have maintain a relatively healthy defense and military order book and more generally, relationship with customers remain strong, additionally Hamble working with other strategic partners and supported by the Group maintain a level of investment in key R&D areas to protect position in the market and position business for future opportunities.

# HAMBLE AEROSTRUCTURES LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **Principal risks and uncertainties**

The key risks faced by the Group are

- **Foreign currency risk**

The Group is exposed to fluctuations in currency exchange rates. There is a risk of changes in sales margins generated from the moment of selling until collection and a risk relating to purchases made in US dollars, mainly relating to raw materials. The Group's policy is not to hold open positions, contracting exchange rate hedges for amounts reflected in the balance sheet and for future income;

- **Interest rate risk**

Part of the Group's loans and borrowings are indexed to the Euribor or Libor rates and, accordingly, the cost of these borrowings is exposed to fluctuations in these indices. The Group periodically analyses the appropriateness of contracting interest rate hedges to mitigate this risk;

- **Liquidity risk**

The Group follows prudent liquidity risk management based on obtaining institutional funding for investments in long-term programmes, complemented with long-term bank borrowings or debt issues. In addition, the provision of other funding instruments for working capital such as credit lines with significant amounts yet to be utilised, factoring transactions which allow advance collections from customers and confirming transactions which help manage payments to suppliers, all allow the Group to maintain a sound cash balance. Subsequent to the refinancing carried out in February 2020, the Group significantly extended its amortisation schedules for the debt, thereby reducing its exposure to liquidity risk.

- **COVID 19 Risk**

In relation to the direct conditions derived from the global COVID 19 pandemic and the contingencies established to guarantee continued compliance with the requirements that apply to our activity, the Group has deployed various action plans to combat the effects of the pandemic:

a) A special plan for the protection of risks to the health of employees;

b) A financial and treasury protection plan;

c) A Contingency Plan to prevent and identify any conditions that may occur on the QMS (Quality Management System) and guarantee continued compliance with regulations, customer requirements and approved data and specifications;

d) The review of the Corporate Risk Maps and the corresponding mitigation plans.

# HAMBLE AEROSTRUCTURES LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### Key performance indicators

Performance during the year is set out in the table below:

	2020	Comment
	£000	
Turnover	76,350	Below expectation due primarily to COVID 19 pandemic
Inventories	30,716	
Trade debtors	13,901	
Trade creditors	5,871	
Order book	216,000*	*2021-2023

Significant focus is put on working capital, in particular debtors, creditors and inventories to drive better cash conversion.

The order book position is also considered a key indicator of the health of the business.

### Other Key Performance Indicators.

Performance during the year is set out in the table below:

	2020	Comment
On time delivery	94%*	*Mar-Dec 2020. Up 8 pts vs 2019
Quality escapes	6	Down 60% YoY. Continued focus on improvement of processes and quality control
Metrics (new) WIP Recordable EHS (Environmental Health and Safety) instances	3	Focus on continuous improvement of health and safety initiatives

### Promoting the success of the company

The directors of Hamble Aerostructures Limited act in the way they consider, 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 (among other matters) to:

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

# HAMBLE AEROSTRUCTURES LIMITED

## STRATEGIC REPORT (CONTINUED)

*FOR THE YEAR ENDED 31 DECEMBER 2020*

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On behalf of the board

.....  
J I Lopez Gandasegui  
Director

Date: 24/12/2021

.....

# HAMBLE AEROSTRUCTURES LIMITED

## DIRECTOR'S REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2020

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The director presents his annual report and financial statements for the year ended 31 December 2020.

#### Principal activities

The principal activity of the company is the development and manufacture of aerospace systems.

#### Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The director does not recommend payment of a final dividend.

#### Director

The director who held office during the year and up to the date of signature of the financial statements was as follows:

J I Lopez Gandasegui

Mr J A Del Valle

(Appointed 18 March 2020 and resigned 17 December 2020)

#### Supplier payment policy

The company's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

The company's current policy concerning the payment of trade creditors is to:

- establish the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

Trade creditors of the company at the year end were equivalent to 67 day's purchases, based on the average daily amount invoiced by suppliers during the year.

#### Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company's continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

**HAMBLE AEROSTRUCTURES LIMITED**

**DIRECTOR'S REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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On behalf of the board

.....  
J I Lopez Gandasegui  
**Director**

24/12/2021  
Date: .....

# HAMBLE AEROSTRUCTURES LIMITED

## INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

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	Notes	2020 £	2019 £
Revenue	3	76,349,984	-
Cost of sales		(89,824,100)	-
<b>Gross (loss)/profit</b>		<b>(13,474,116)</b>	-
Administrative expenses		(20,822,988)	-
Other operating income		2,634,300	-
<b>Operating (loss)/profit</b>	4	<b>(31,662,804)</b>	-
Finance costs	6	(798,668)	-
<b>(Loss)/profit before taxation</b>		<b>(32,461,472)</b>	-
Tax on (loss)/profit	7	(12,653,912)	-
<b>(Loss)/profit for the financial year</b>		<b>(45,115,384)</b>	-

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# HAMBLE AEROSTRUCTURES LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

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	2020 £	2019 £
<b>Loss for the year</b>	(45,115,384)	-
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified to profit or loss</b>		
<i>Cash flow hedges:</i>		
- Hedging gain arising in the year	2,766,723	-
<b>Total comprehensive income for the year</b>	(42,348,661)	-

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# HAMBLE AEROSTRUCTURES LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020		2019	
		£	£	£	£
<b>Non-current assets</b>					
Negative goodwill	8		(69,565,182)		-
Property, plant and equipment	9		71,160,459		-
Investments	10		1		-
			<u>1,595,278</u>		<u>-</u>
<b>Current assets</b>					
Inventories	12	30,715,954		-	
Trade and other receivables	13	18,616,273		-	
Cash and cash equivalents		2,199,616		60,000	
		<u>51,531,843</u>		<u>60,000</u>	
<b>Current liabilities</b>	14	(41,422,297)		-	
<b>Net current assets</b>			<u>10,109,546</u>		<u>60,000</u>
<b>Total assets less current liabilities</b>			<u>11,704,824</u>		<u>60,000</u>
<b>Provisions for liabilities</b>					
Deferred tax liabilities	16		(13,302,897)		-
Other provisions	17		(40,690,588)		-
			<u>(42,288,661)</u>		<u>60,000</u>
<b>Net (liabilities)/assets</b>			<u>(42,288,661)</u>		<u>60,000</u>
<b>Equity</b>					
Called up share capital	19		60,000		60,000
Hedging reserve	20		2,766,723		-
Retained earnings			(45,115,384)		-
<b>Total equity</b>			<u>(42,288,661)</u>		<u>60,000</u>

For the financial year ended 31 December 2020 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The director acknowledges his responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The member has not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

# HAMBLE AEROSTRUCTURES LIMITED

## STATEMENT OF FINANCIAL POSITION (CONTINUED)

**AS AT 31 DECEMBER 2020**

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The financial statements were approved by the board of directors and authorised for issue on 24/12/21 and are signed on its behalf by:

.....  
J I Lopez Gandasegui  
Director

Company Registration No. 12109077

# HAMBLE AEROSTRUCTURES LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £	Hedging reserve £	Retained earnings £	Total £
Balance at 17 July 2019		-	-	-	-
Year ended 31 December 2019:					
Issue of share capital	19	60,000	-	-	60,000
Balance at 31 December 2019		60,000	-	-	60,000
Year ended 31 December 2020:					
Loss for the year		-	-	(45,115,384)	(45,115,384)
Other comprehensive income:					
Cash flow hedges gains		-	2,766,723	-	2,766,723
Total comprehensive income for the year		-	2,766,723	(45,115,384)	(42,348,661)
Balance at 31 December 2020		60,000	2,766,723	(45,115,384)	(42,288,661)

# HAMBLE AEROSTRUCTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

#### Company information

Hamble Aerostructures Limited is a private company limited by shares incorporated in England and Wales. The registered office is Kings Avenue, Hamble-Le-Rice, Southampton, Hampshire, United Kingdom, SO31 4NF. The company's principal activities and nature of its operations are disclosed in the director's report.

#### 1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, except for the revaluation of . The principal accounting policies adopted are set out below.

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions from the requirements of IFRS:

- inclusion of an explicit and unreserved statement of compliance with IFRS;
- presentation of a statement of cash flows and related notes;
- disclosure of the objectives, policies and processes for managing capital;
- disclosure of key management personnel compensation;
- disclosure of the categories of financial instrument and the nature and extent of risks arising on these financial instruments;
- the effect of financial instruments on the statement of comprehensive income;
- comparative period reconciliations for the number of shares outstanding and the carrying amounts of property, plant and equipment, intangible assets, investment property and biological assets;
- disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- a reconciliation of the number and weighted average exercise prices of share options, how the fair value of share-based payments was determined and their effect on profit or loss and the financial position;
- comparative narrative information;
- for financial instruments, investment property and biological assets measured at fair value and within the scope of IFRS 13, the valuation techniques and inputs used to measure fair value, the effect of fair value measurements with significant unobservable inputs on the result for the period and the impact of credit risk on the fair value; and
- related party disclosures for transactions with the parent or wholly owned members of the group.

Where required, equivalent disclosures are given in the group accounts of Aernnova Aerospace Corporation, SA . The group accounts of Aernnova Aerospace Corporation, SA are available to the public and can be obtained as set out in note 21.

#### 1.2 Going concern

The directors have performed a going concern assessment for a period of 12 months from the date of approval of these financial statements which indicates that, taking account of a reasonably possible downside scenario, the anticipated socio-economic impact of the COVID-19 pandemic and the ongoing support of the parent company, the company will have sufficient funds to meet its liabilities as they fall due for that period. The directors are confident that the company will have sufficient funds to continue in operational existence for at least 12 months from the date of approval of these financial statements and they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

# HAMBLE AEROSTRUCTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

(Continued)

#### 1.3 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

Transfer of control is considered to take place on the date a deliverable, which forms part of a shipset, is dispatched to the customer.

#### 1.4 Goodwill

Goodwill is being written off over 10 years on a straight line basis.

#### 1.5 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	24 years on a straight line basis
Plant and equipment	5 - 25% on a straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

#### 1.6 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

# HAMBLE AEROSTRUCTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

(Continued)

#### 1.7 Inventories

Inventories are measured at the lower of acquisition cost or net realisable value.

Costs incurred to transport inventories to their current destination and bring them to their current condition are accounted for in accordance with the following criteria:

##### **Raw materials**

Acquisition cost is calculated using the standard cost method. The acquisition price includes the amount invoice by the supplier, net of any trade discounts, rebates and other similar items, plus all other additional costs incurred until the goods are ready for resale, such as transport, customs, insurance, and other costs directly attributable to the acquisition of inventory items.

##### **Finished products and work in progress**

The production cost for finished goods is calculated by adding the costs directly attributable to the product, such as direct labour costs, to the acquisition price for raw materials and other consumables, including a proportion of indirect manufacturing costs based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated completion costs. When the net realisable value is less than the acquisition cost or production cost, the corresponding impairment losses are recognised as an expense in the income statement.

#### 1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.9 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

##### ***Financial assets at fair value through profit or loss***

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognized initially at fair value and any transaction costs are recognised in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in profit or loss, and is included within finance income or finance costs in the statement of income for the reporting period in which it arises.

##### ***Financial assets held at amortised cost***

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

# HAMBLE AEROSTRUCTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 1 Accounting policies

(Continued)

#### ***Financial assets at fair value through other comprehensive income***

Debt instruments are classified as financial assets measured at fair value through other comprehensive income where the financial assets are held within the company's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument measured at fair value through other comprehensive income is recognised initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to profit or loss when the debt instrument is derecognised.

The company has made an irrevocable election to recognize changes in fair value of investments in equity instruments through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss. Equity instruments measured at fair value through other comprehensive income are recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to retained earnings when the equity instrument is derecognized or its fair value substantially decreased. Dividends are recognized as finance income in profit or loss.

#### ***Impairment of financial assets***

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

#### ***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

### 1.10 Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

#### ***Financial liabilities at fair value through profit or loss***

Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of selling or repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

# HAMBLE AEROSTRUCTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

(Continued)

#### ***Other financial liabilities***

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

#### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

#### **1.11 Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

#### **1.12 Derivatives**

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are classified as current.

#### **1.13 Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

#### ***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

# HAMBLE AEROSTRUCTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

(Continued)

#### **Deferred tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **1.14 Provisions**

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event and it is probable that the company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### **Provisions for onerous contracts**

Provisions for contractual losses are recognised when it is probable that the total estimated costs of the contract exceed total revenue. The losses are determined based on estimated results with respect to finalisation of the contracts and include the effects of exchange rate fluctuations.

#### **1.15 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### **1.16 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

# HAMBLE AEROSTRUCTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

(Continued)

#### 1.17 Grants

Government grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants will be received.

#### 1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

### 2 Critical accounting estimates and judgements

In the application of the company's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

#### Critical judgements

##### Inventory provision

An inventory provision is included in the financial statements to reduce the inventories held in relation to the onerous contracts down to their net realisable value. The calculation of this requires management's judgement to estimate the costs attributable to each shipset. These costs are then compared with the sales value of each shipset, as contracted with the customer. This is used to calculate the percentage to reduce all inventories in relation to the onerous contracts down to their net realisable value.

##### Provision for onerous contracts

A provision for onerous contracts is included in the financial statements for the loss-making contracts with customers. This is based on the present value of the free cash flows in relation to the contracts and requires management's judgement in calculating expected future costs attributable to the contracts and the discount factor applied. The provision is updated annually for changes in assumptions, for example, changes in the number of shipsets required by the customer each year.

##### Provision for liquidated damages

A provision for liquidated damages is included in the financial statements for customer claims for late deliveries and concessions. These claims are made following the completion of a calendar year, so the calculation of the provision requires management's judgement to estimate the future claims payable in relation to the current financial year. The calculation is based on management information in respect of late deliveries and concessions and following discussions with customers.

# HAMBLE AEROSTRUCTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 2 Critical accounting estimates and judgements

(Continued)

#### Key sources of estimation uncertainty

##### Useful economic life of negative goodwill

The useful economic life of the negative goodwill recorded in the financial statements has been estimated based on the expected useful economic lives of the property, plant and equipment acquired as part of the business purchase agreement. This is subject to estimation uncertainty due to the variation of the useful economic lives of the property, plant and equipment acquired. This has a direct impact on the amortisation credited to the income statement.

##### Useful economic lives of property, plant and equipment

The useful economic lives of the property, plant and equipment recorded in the financial statements have been estimated based on the expected number of years the economic benefits will be received for each asset, whilst also taking into account any estimated residual value. Therefore, the useful lives are subject to estimation uncertainty. This has a direct impact on the depreciation charged to the income statement.

### 3 Revenue

	2020	2019
	£	£
<b>Revenue analysed by class of business</b>		
Development and manufacture of aerospace systems	76,349,984	-
	<u>76,349,984</u>	<u>-</u>
	2020	2019
	£	£
<b>Other significant revenue</b>		
Grants received	2,159,765	-
	<u>2,159,765</u>	<u>-</u>
	2020	2019
	£	£
<b>Revenue analysed by geographical market</b>		
South Africa	4,409	-
Great Britain	8,934,046	-
Rest of Europe	54,957,143	-
Saudi Arabia	278,228	-
Australia	149,617	-
Canada	4,797,178	-
USA	6,402,104	-
China	827,259	-
	<u>76,349,984</u>	<u>-</u>



# HAMBLE AEROSTRUCTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 7 Taxation (Continued)

The charge for the year can be reconciled to the loss per the income statement as follows:

	2020 £	2019 £
Loss before taxation	(32,461,472)	-
Expected tax credit based on a corporation tax rate of 19.00% (2019: 0%)	(6,167,680)	-
Unutilised tax losses carried forward	6,167,680	-
Fair value excess of carrying value of property, plant and equipment	12,653,912	-
<b>Taxation charge for the year</b>	<b>12,653,912</b>	<b>-</b>

### 8 Intangible fixed assets

	Negative goodwill £
<b>Cost</b>	
Additions - purchased	(77,294,647)
At 31 December 2020	(77,294,647)
<b>Amortisation and impairment</b>	
Charge for the year	(7,729,465)
At 31 December 2020	(7,729,465)
<b>Carrying amount</b>	
At 31 December 2020	(69,565,182)

### 9 Property, plant and equipment

	Freehold land and buildings £	Assets under construction £	Plant and equipment £	Total £
<b>Cost</b>				
Additions	42,523,274	5,294,158	26,840,471	74,657,903
At 31 December 2020	42,523,274	5,294,158	26,840,471	74,657,903
<b>Accumulated depreciation and impairment</b>				
Charge for the year	1,017,120	-	2,480,324	3,497,444
At 31 December 2020	1,017,120	-	2,480,324	3,497,444

# HAMBLE AEROSTRUCTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 9 Property, plant and equipment (Continued)

	Freehold land and buildings £	Assets under construction £	Plant and equipment £	Total £
<b>Carrying amount</b>				
At 31 December 2020	41,506,154	5,294,158	24,360,147	71,160,459

### 10 Investments

	Current 2020 £	2019 £	Non-current 2020 £	2019 £
Investments in subsidiaries	-	-	1	-

#### Fair value of financial assets carried at amortised cost

The directors consider that the carrying amounts of financial assets carried at amortised cost in the financial statements approximate to their fair values.

#### Movements in non-current investments

	Shares in subsidiaries £
<b>Cost or valuation</b>	
At 1 January 2020	-
Additions	1
At 31 December 2020	1
<b>Carrying amount</b>	
At 31 December 2020	1
At 31 December 2019	-

### 11 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held	
			Direct	Voting
Hamble Aerostructures Sub Limited	Kings Avenue, Hamble-Le-Rice, Southampton, Hampshire, England, SO31 4NF	Ordinary	100.00	100.00

# HAMBLE AEROSTRUCTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 12 Inventories

	2020 £	2019 £
Raw materials	19,664,123	-
Work in progress	11,051,831	-
	<u>30,715,954</u>	<u>-</u>

### 13 Trade and other receivables

	2020 £	2019 £
Trade receivables	13,901,396	-
Derivative financial instruments	3,415,708	-
Other receivables	1,299,169	-
	<u>18,616,273</u>	<u>-</u>

### 14 Liabilities

	Notes	2020 £	2019 £
Trade and other payables	15	39,541,066	-
Taxation and social security		1,881,231	-
		<u>41,422,297</u>	<u>-</u>

### 15 Trade and other payables

	2020 £	2019 £
Trade payables	5,870,755	-
Amount owed to parent undertaking	62,672	-
Amounts owed to fellow group undertakings	17,747,904	-
Accruals and deferred income	13,247,723	-
Other payables	2,612,012	-
	<u>39,541,066</u>	<u>-</u>

# HAMBLE AEROSTRUCTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Accelerated capital allowances £
Deferred tax liability at 1 January 2019 and 1 January 2020	-
<b>Deferred tax movements in current year</b>	
Charge/(credit) to profit or loss	13,302,897
Deferred tax liability at 31 December 2020	<u>13,302,897</u>

### 17 Provisions for liabilities

	2020 £	2019 £	
Provision for onerous contracts	39,056,912	-	
Provision for liquidated damages	1,633,676	-	
	<u>40,690,588</u>	<u>-</u>	
<b>Movements on provisions:</b>	<b>Provision for onerous contracts £</b>	<b>Provision for liquidated damages £</b>	<b>Total £</b>
Additional provisions in the year	<u>39,056,912</u>	<u>1,633,676</u>	<u>40,690,588</u>

### 18 Retirement benefit schemes

#### Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £2,477,016 (2019 - £-).

### 19 Share capital

	2020 Number	2019 Number	2020 £	2019 £
<b>Ordinary share capital Issued and fully paid</b>				
Ordinary of £1 each	60,000	60,000	60,000	60,000

The company has one class of ordinary shares which carry no right to fixed income. These shares carry the right to attend general meetings of the company and vote on any written resolution of the company. All shares were issued at par.

# HAMBLE AEROSTRUCTURES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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19 Share capital (Continued)

20 Hedging reserve	2020 £	2019 £
At the beginning of the year	-	-
Gains and losses on cash flow hedges	2,766,723	-
At the end of the year	<u>2,766,723</u>	<u>-</u>

21 Controlling party

The parent company of Hamble Aerostructures Limited is Aernnova Aerospace Corporation, SA and its registered office is 13 Calle Leonardo Da Vinci, Parque Tecnológico De Alava, Minano Mayor, Pais Vasco, Spain.