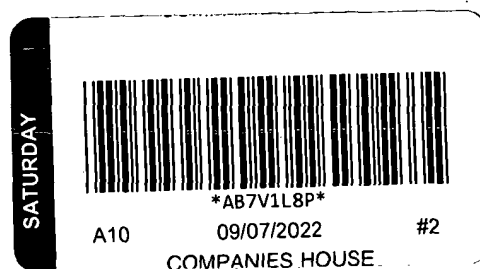




Cranfield Aerospace Solutions Limited
Annual Report and Financial Statements
For the Year Ended 31 July 2021



Company Information

Directors	P Craig – Chairman (from 22 nd July 2021) G Copeland – Chairman (Until 22 nd July 2021) P Hutton A E Crawford (From 22 nd July 2021 to 24 th March 2022) H Nabi (From 22 nd July 2021 to 24 th March 2022) C W A Holliday (Until 24 th March 2022) Professor I G Gray F Illat (from 24 th March 2022) J J Traynor (from 24 th March 2022)
Registered Number	02415720
Registered Office	Hangar 2 Cranfield Airport Cranfield Bedfordshire MK43 0AL
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Exchange House Central Business Exchange Midsummer Boulevard Milton Keynes MK9 2DF

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Strategic Report

For the year ended 31 July 2021

Business Review

The Directors have over the past few years restructured and made improvements to the Company structure and implemented changes to target those markets and segments, which more closely aligned with the Company's core capabilities. This has included investment in capabilities and know-how related to hybrid-electric technology and whole aircraft EVTOLs (Electric Vertical Take Off & Landing), but more importantly the new main focus is hydrogen propulsion (Project FRESSON).

Hydrogen propulsion, and the company's Project FRESSON are expected to lead to a significant volume of incremental business in future years. Project FRESSON is a 4 stage, multi year project. FRESSON stage 1 is the conversion of a 9 seater Britten-Norman Islander aircraft to hydrogen propulsion, with the aim of coming to the market in 2025. Phases 2 & 3 relate to a hydrogen propulsion 19 seater aircraft, with stage 4 being the development of a hydrogen propulsion 75 seater aircraft. Given the costs associated with the crystallisation of the changes of strategy and, investments in the start of FRESSON stage 1, the Company recorded a net profit of £487k (2020: a loss of £981k).

Financial key performance indicators

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

Revenues were £7,048k (£8,798k including the receipt of £1,750k business interruption insurance claim) compared to £8,882k of the previous year and gross margin was 16% (33% including the business interruption insurance claim) compared to 18% of the previous year.

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

Principal risks and uncertainties

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

- Safety risk - Safety Management is a proactive and integrated approach to safety. It has been incorporated into the Company's Safety Management System, which is an organised approach to managing safety that includes the necessary organisational structures, accountabilities, policies and procedures. It interfaces with other critical management functions such as Health & Safety, financial and compliance monitoring.
- Economic downturn – The Directors keep abreast of economic conditions and have modified and adopted policies and strategies to reflect changing market conditions in so far as they have been able. The on-going and medium term impact of COVID 19 on the markets in which the Company operates are being monitored closely. Given the Company's focus on Project FRESSON and next generation aircraft the Directors believe that it is well placed over the medium term, despite any short term impact. Given the customers and activities, Brexit is still not considered to be an issue.
- Liquidity risk - Liquidity risk is mitigated by ensuring that working capital is tightly controlled and that loan facilities are in place which are commensurate with the level of business being undertaken. In accordance with this, the Company has a working capital facility of £150k provided by its parent.
- Competition - The Company operates in a number of niche markets, which are competitive. There is consistent downward pressure on contract margins combined with increasingly high customer expectations. Policies of constant price monitoring, delivery of high-quality services and continuous improvement are in place to mitigate these market risks.

On behalf of the Board
Paul Hutton, Chief Executive Officer
Date: 10th June, 2022



Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 July 2021.

The directors who served during the year and up to the date of signing these financial statements were:

P Craig – Chairman (from 22nd July 2021)

G Copeland – Chairman (Until 22nd July 2021)

P Hutton

A E Crawford (From 22nd July 2021 to 24th March 2022)

H Nabi (From 22nd July 2021 to 24th March 2022)

C W A Holliday (Until 24th March 2022)

Professor I G Gray

F Illat (from 24th March 2022)

J J Traynor (from 24th March 2022)

The directors have the benefit of an indemnity insurance policy provided to the Ultimate Parent Company via a third party indemnity provision. The indemnity was in force throughout the financial year and was replaced by the company's own indemnity insurance policy from March 2022 (also in place at the date of approval of the financial statements).

Results and dividends

The profit after taxation for the year to 31 July 2021 amounted to £487k (2020: loss after taxation £981k).

The Directors do not recommend the payment of a dividend (2020: nil).

Political contributions

The Company made no political contributions during the year (2020: nil).

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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

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

so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Going concern and liquidity risk

In adopting the going concern basis for preparing the Financial Statements, the Directors have considered the Company's business activities, together with the factors likely to affect its future development, performance and position as well as the Company's principal risks and uncertainties as set out in the Strategic Review on pages 4 and 5. Furthermore, the Directors ensure that suitable objectives, policies and processes for managing capital, financial and liquidity risks are in place.

The Company raised external finance through the issuance of new shares following an initial funding round in March 2022 for Phase 1 of Project FRESSON, receiving £8.4m from investors of £10.5m investment round. Further funding rounds and investment (as well as the balance of the £10.5m investment) is forecast to be received in July 2022 and early 2023. The directors have prepared cash flow forecasts, including downside sensitivities for a period of 12 months from the date of these financial statements taking into consideration the available and forecast investment, and the continued development of Project FRESSON. The Directors considered the adequacy of the available cash resources in the light of the current and projected development and performance, and are confident the Company will continue to operate within its available cash flow throughout the going concern window.

Because of the current cash position, and taking into account forecast performance, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. Thus, the Directors continue to adopt the going concern basis of accounting in preparing these Financial Statements.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

Independent Auditors

Appointment of auditors will be subject to future Board meeting.

Approved by the Board, and signed on its behalf by:



Paul Hutton
Chief Executive Officer

Date: 10th June, 2022



Independent auditors' report to the members of Cranfield Aerospace Solutions Limited

Report on the audit of the financial statements

Opinion

In our opinion, Cranfield Aerospace Solutions Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2021 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, comprising 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 Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 July 2021; 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 on, 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.

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 July 2021 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, 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 UK taxation and 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. 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 manipulation of financial information through the posting of journal entries, or undue bias exhibited in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- discussions with management in relation to known or suspected instances of fraud, or non-compliance with laws and regulations;
- testing of significant estimates and judgements made by management, including the verification of the data and accuracy of the models;
- testing of journal entries using a risk based approach, including entries which credit revenue offset by an unusual counter entry, as well as postings made by unexpected users;
- incorporating elements of unpredictability into our audit procedures; and
- review of the financial statements for disclosures required by the accounting standards and the Companies Act 2006.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. 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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' Report. We have no exceptions to report arising from this responsibility.



Mark Foster (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes
7 July 2022

Cranfield Aerospace Solutions Limited

**Statement of Comprehensive Income
For the year ended 31 July 2021**

		2021 £ '000	2020 £ '000
Turnover			
Revenue	2	7,048	8,882
Total Turnover		<u>7,048</u>	<u>8,882</u>
Cost of sales		(5,893)	(7,302)
Gross profit		<u>1,155</u>	<u>1,580</u>
Administrative expenses		(3,057)	(2,943)
Other operating income	3	<u>1,905</u>	<u>-</u>
Operating Profit/(Loss)	3	3	(1,363)
Interest payable	4	<u>(55)</u>	<u>(18)</u>
Loss before taxation		(52)	(1,381)
Tax on loss	5	<u>539</u>	<u>400</u>
Profit/(loss) after taxation		<u>487</u>	<u>(981)</u>
Profit/(loss) carried forward		<u>487</u>	<u>(981)</u>

There was no other comprehensive income for 2021 (2020: nil).

All operations of the Company continued throughout both years.

The notes on pages 13 to 21 form part of these Financial Statements.

Cranfield Aerospace Solutions Limited

**Statement of Financial Position
As at 31 July 2021**

	Note	2021 £ '000	2020 £ '000
Fixed assets			
Tangible assets	8	323	258
Current assets			
Stock	9	218	533
Debtors	10	1,852	2,971
Cash at bank and in hand		1,854	22
Total current assets		<u>3,924</u>	<u>3,526</u>
Creditors: amounts falling due within one year	11	<u>(3,696)</u>	<u>(3,713)</u>
Net current assets/(liabilities)		<u>228</u>	<u>(187)</u>
Total assets less current liabilities		551	71
Provisions for liabilities	15	<u>(40)</u>	<u>(47)</u>
Net assets		<u>511</u>	<u>24</u>
Capital and reserves			
Called up Share Capital	16	1,000	1,000
Share Premium Account		1,350	1,350
Accumulated losses		<u>(1,839)</u>	<u>(2,326)</u>
Total equity		<u>511</u>	<u>24</u>

These Financial Statements were approved by the Board of Directors on 10th June, 2022 and were signed on its behalf by P. Hutton. The notes on pages 13 to 21 form part of these Financial Statements.



P. Hutton
Chief Executive Officer
Cranfield Aerospace Solutions Limited

Date: 10th June, 2022

Cranfield Aerospace Solutions Limited

**Statement of Changes in Equity
For the year ended 31 July 2021**

	Share capital	Share Premium Account	Accumulated losses	Total equity
	£ '000	£ '000	£ '000	£ '000
Balance at 1 August 2019	1,000	1,350	(1,345)	1,005
Loss for the year 2020	-	-	(981)	(981)
Balance at 31 July 2020	1,000	1,350	(2,326)	24
Balance at 1 August 2020	1,000	1,350	(2,326)	24
Total comprehensive income for the year 2021				
Profit for the year 2021	-	-	487	487
Balance at 31 July 2021	1,000	1,350	(1,839)	511

The notes on pages 13 to 21 form part of these Financial Statements.

Cranfield Aerospace Solutions Limited

Notes to the Financial Statements For the year ended 31 July 2021

1 Accounting policies

Cranfield Aerospace Solutions Limited ("the Company") is a private limited company domiciled and incorporated in England. The company is an aerospace market leader in rapid prototyping of new aerospace concepts, and modifications to existing aerospace platforms, to meet the most challenging issues facing the aerospace industry.

These Financial Statements were prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these Financial Statements is Sterling.

The Company's ultimate parent undertaking, Cranfield University, includes the Company in its Consolidated Financial Statements. The Consolidated Financial Statements are available to the public and may be obtained from College Road, Cranfield, Bedfordshire, MK43 0AL. In these Financial Statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to the end of the period;
- Financial instruments
- Cash flow and related notes: and
- Key management personnel compensation

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

1.1 Measurement convention

The Financial Statements have been prepared under the historical cost convention

1.2 Going concern

In adopting the going concern basis for preparing the Financial Statements, the Directors have considered the Company's business activities, together with the factors likely to affect its future development, performance and position as well as the Company's principal risks and uncertainties as set out in the Strategic Review on pages 4 and 5. Furthermore, the Directors ensure that suitable objectives, policies and processes for managing capital, financial and liquidity risks are in place.

The Company raised external finance through the issuance of new shares following an initial funding round in March 2022 for Phase 1 of Project FRESSON, receiving £8.4m from investors of £10.5m investment round. Further funding rounds and investment (as well as the balance of the £10.5m investment) is forecast to be received in July 2022 and early 2023. The directors have prepared cash flow forecasts, including downside sensitivities for a period of 12 months from the date of these financial statements taking into consideration the available and forecast investment, and the continued development of Project FRESSON. The Directors considered the adequacy of the available cash resources in the light of the current and projected development and performance, and are confident the Company will continue to operate within its available cash flow throughout the going concern window.

Because of the current cash position, and taking into account forecast performance, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. Thus, the Directors continue to adopt the going concern basis of accounting in preparing these Financial Statements.

1.3 Foreign currency

Forward contracts are taken out against all major contracts where there is a foreign exchange exposure. Where covered by formal contracts, transactions are recorded at the rates of exchange prevailing in those contracts. Other foreign transactions are recorded at the rates of exchange applied by the Company's Bankers at the time of receipt or payment. There were no forward contracts in place at either 31 July 2020 or 31 July 2021. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of comprehensive income.

1.4 Turnover

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

Other operating income and government grants

Government grant funding has been received in the year in relation to the CoronaVirus Job retention Scheme (CJRS) and is recognised within the period in which amounts become receivable. Government grant funding has been received in the year in relation to both Customs Academy claim and HMRC Kickstart Scheme. A business interruption insurance claim was submitted with regard to the CoronaVirus, with £1,750k being received in the year, which should form part of the Gross Margin.

1.5 Tangible and intangible assets

Tangible and intangible fixed assets are stated at cost to the Company and depreciated over their expected useful economic lives as follows: -

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

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

1.6 Stock

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

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

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

1.7 Taxation

Tax on the profit or loss for the year comprises *current and deferred tax*. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years and available group relief. Deferred taxation is recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain.

1.8 Pension

The Company is party to a group defined contribution pension scheme administered by AVIVA. The assets of the scheme are held separately from those of the Company. The Company is also a member of a defined benefit scheme which is funded for the benefit of its employees. The assets of the scheme are administered by trustees in a fund independent from those of the Company. Further details are provided in note 12. The cost of the pension has been recognised in the profit and loss account for the relevant period.

1.9 Operating leases

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

1.10 Research and development

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

1.11 Cash and cash equivalents

Cash and cash equivalents comprise bank balances and call deposits.

1.12 Provisions

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

1.13 Warranty provision

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

1.14 Trade and other debtors/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 case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at present value of future payments discounted at a market rate of interest for a similar debt instrument.

1.15 Critical accounting judgments and key sources of estimation uncertainty

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

2 Revenue

Geographical markets supplied:

	2021	2020
	£ '000	£ '000
UK	6,987	7,106
USA and Canada	61	1,004
Rest of World	-	772
	<u>7,048</u>	<u>8,882</u>

£1,750k business interruption insurance claim proceeds were received in the year, which should form part of the gross margin calculation.

3 Operating Profit/(Loss)

Operating profit/(loss) is stated after charging:

	2021	2020
	£ '000	£ '000
Depreciation of tangible fixed assets	144	151
Auditors' remuneration		
- audit services	90	35
Hire of plant and machinery	28	22
Operating lease rentals	174	181

Other operating income

The company received £155k (2020: £ 72k) in relation to the CJRS and there are no unfulfilled contingencies or commitments attached to this balance.

4 Interest Payable

	2021	2020
	£ '000	£ '000
Payable:		
Amounts owed to group undertakings (Cranfield Group Holdings)	12	9
Other (HMRC, Pension & Other Suppliers)	43	9
	<u>55</u>	<u>18</u>

5 Tax on loss

The taxation credit is based on the profit or loss for the year and is as follows:

	2021 £'000	2020 £'000
Tax recoverable	<u>(539)</u>	<u>(400)</u>

The tax credit for the year is different to the amount calculated by applying the standard rate of corporation tax in the UK of 19% (2020: 19%) to the loss for the year. The differences are explained below:

	2021 £ '000	2020 £ '000
Loss before tax on ordinary activities before tax	(52)	(1,381)
Loss on multiplied by standard rate in the UK 19.0% (2020: 19.0%)	(10)	(262)
Effects of:		
Unrecognised deferred tax	10	262
Previous years tax adjustment	(179)	-
R&D tax credits 20/21	(360)	(400)
Total tax	<u>(539)</u>	<u>(400)</u>

6 Directors and employees

Employees:

	2021 £ '000	2020 £ '000
Wages and salaries	3,514	3,154
Social security costs	386	360
Other pension costs	485	553
	<u>4,385</u>	<u>4,067</u>

Average monthly number of employees:	Number	Number
Administrative	10	10
Management	4	8
Technical	63	55
	<u>77</u>	<u>73</u>

Directors' emoluments

The directors received remuneration of £262k (2020: £227k) for their services as directors during the year. Four directors during the year were accruing benefits under the Companies defined contribution pension plan (2020: Three), see note 12. Aggregate contributions to defined contribution pension arrangements in respect of directors included in the above were £32k (2020: £20k). Directors' emoluments include aggregate emoluments of £161k (2020: £161k) and contributions of £29k (2020: £19k) to a defined contribution pension scheme, on behalf of the highest paid director.

7 Intangible assets

	Patents £ '000	Ground Control Station £ '000	Total £ '000
Cost			
At 1 August 2020	44	170	214
Expenditure in year	-	-	-
At 31 July 2021	44	170	214
Accumulated Amortisation			
At 1 August 2020	44	170	214
Amortisation in year	-	-	-
At 31 July 2021	44	170	214
Net book value			
At 31 July 2021	-	-	-
At 31 July 2020	-	-	-

8 Tangible assets

	Leasehold improvements £ '000	Plant and machinery, fixtures and fittings, tools and equipment £ '000	Motor vehicles £ '000	Total £ '000
Cost				
At 1 August 2020	300	1,944	24	2,268
Additions	3	206	-	209
Disposals	-	-	-	-
At 31 July 2021	303	2,150	24	2,477
Accumulated Depreciation				
At 1 August 2020	271	1,715	24	2,010
Disposals	-	-	-	-
Charge for the year	24	120	-	144
At 31 July 2021	295	1,835	24	2,154
Net book value				
At 31 July 2021	8	315	-	323
At 31 July 2020	29	229	-	258

9 Stock

	2021 £ '000	2020 £ '000
Raw materials & consumables	218	533

10 Debtors

	2021	2020
	£ '000	£ '000
Trade debtors	453	937
Unsecured amounts owed by group undertakings	10	139
Accrued Income	1,010	1,256
Other debtors	19	11
Corporation tax	360	628
	<u>1,852</u>	<u>2,971</u>

Amounts owed by group undertakings are unsecured, interest free, and incurred as part of normal trade operations. Trade debtors are stated after provisions for impairment of £10.1k (2010: £21.7k).

11 Creditors: amounts falling due within one year

	2021	2020
	£ '000	£ '000
Trade creditors	201	673
Amounts owed to group undertakings	1,018	661
Accruals and deferred income	202	239
Income in advance	106	1,046
Other creditors	90	298
Taxation & social security	2,079	796
	<u>3,696</u>	<u>3,713</u>

Included within amounts owed to group undertakings, the company has an overdraft facility provided by its ultimate parent undertaking of £150k (2020: £150k) and carrying interest at 2% above base rate. Other amounts owed are unsecured, interest free and have no fixed date of repayment and are repayable on demand

12 Deferred taxation

Deferred tax has not been provided for due to Group Tax Relief provided to other companies within the group structure whilst wholly owned.

13 Pensions

The employer pension costs expensed in the year were £485k (2020: £553k).

13.1 Defined benefit scheme

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

13.2 Defined contribution scheme

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

14 Commitments

Commitments under operating leases

As 31 July 2021/31 July 2020, non-cancellable operating lease rentals are payable as follows:

	2021 £ '000	2020 £ '000
Less than one year	197	192
Between one and five years	440	366
More than five years	-	-
	<u>637</u>	<u>558</u>

15 Provisions for liabilities

	2021 £ '000	2020 £ '000
At beginning of year	47	47
Utilised	(7)	-
(Release)/Charge for year	-	-
At end of year	<u>40</u>	<u>47</u>

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

16 Called up share capital

	2021 £ '000	2020 £ '000
1,000,000 authorised ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
2020: 1,000,000		
1,000,000 allotted, and fully paid ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
2020: 1,000,000		

17 Parent undertakings

During the financial year, the Company was a wholly owned subsidiary of Cranfield Group Holdings Limited which is registered in England and Wales. The Directors consider that the ultimate parent undertaking and controlling party for the financial year was Cranfield University which is incorporated by Royal Charter in Great Britain. The financial statements of Cranfield University represent the largest group of companies into which the financial statements of the Company are consolidated. The consolidated financial statements of Cranfield Group Holdings Limited represent the smallest group of companies into which the Company's financial statements are consolidated.

Copies of the financial statements of each of these bodies can be obtained from Cranfield University, College Road, Cranfield, Bedfordshire, MK43 0AL and Cranfield Group Holdings Limited, Wharley End, Cranfield, Bedfordshire, MK43 0AL respectively.

18 Related party transactions

As a wholly owned subsidiary at the balance sheet date, the Company has taken advantage of an exemption under FRS 102 'Related Party Transactions' not to disclose transactions with other group companies.

19 Post Balance sheet Events

Since the year end, the company received the final settlement of a business interruption insurance claim of £750k, bringing the total insurance settlement to £2,500k.

Since the year end, the company has completed a £10.5million external fundraise process on 24th March 2022 which changed the control of the company. There shall be a further investment round in 2022.

Prior to the completion of the fundraise, the £150k loan from Cranfield group Holdings was repaid. Post the fundraise, the inter-company debt to Cranfield University was repaid.