

Company registration number 06772385 (England and Wales)

AMF PRECISION ENGINEERING LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

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AMF PRECISION ENGINEERING LIMITED

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AMF PRECISION ENGINEERING LIMITED**BALANCE SHEET****AS AT 31 MARCH 2022**

	Notes	2022 £	£	2021 £	£
Fixed assets					
Tangible assets	3		692,997		940,498
Current assets					
Stocks		1,370,329		796,642	
Debtors	4	2,073,462		1,653,504	
Cash at bank and in hand		910,764		387,636	
		<u>4,354,555</u>		<u>2,837,782</u>	
Creditors: amounts falling due within one year	5	<u>(3,145,887)</u>		<u>(2,034,853)</u>	
Net current assets			<u>1,208,668</u>		<u>802,929</u>
Total assets less current liabilities			<u>1,901,665</u>		<u>1,743,427</u>
Creditors: amounts falling due after more than one year	6		(646,339)		(837,995)
Provisions for liabilities			<u>(53,860)</u>		<u>(23,686)</u>
Net assets			<u><u>1,201,466</u></u>		<u><u>881,746</u></u>
Capital and reserves					
Called up share capital			667		667
Capital redemption reserve			333		333
Profit and loss reserves			<u>1,200,466</u>		<u>880,746</u>
Total equity			<u><u>1,201,466</u></u>		<u><u>881,746</u></u>

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 22 December 2022 and are signed on its behalf by:

Ms S J Edge
Director

Mr W R J Rawkins
Director

Company Registration No. 06772385

AMF PRECISION ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

Company information

AMF Precision Engineering Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit 5 Power Station Business Park, Bromborough, Wirral, CH62 4YB.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

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. The principal accounting policies adopted are set out below.

AMF PRECISION ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

1.2 Going concern

The directors have prepared detailed profit and cash flow forecasts for the period to March 2026. These show that based on the forecast trading position and use of its currently agreed invoice discounting facility and borrowings, the group will have sufficient liquidity to meet its liabilities as they fall due.

The directors have also instructed an independent professional body complete a reverse stress test report which indicates that a significant change in fortunes would have to be suffered by the group for it not to be a going concern. There are no indicators that this would be the case, however, in such a scenario the group would be able to continue operating for a period of at least 12 months following the approval of the financial statements. In such circumstances additional options may be available to mitigate the impact on the group's liquidity and cash flow including:

- (i) further reductions in operating and capital expenditure;
- (ii) extension of debt facilities

Group revenue has grown significantly rising 36% on average per month from January 22 to September 22 (vs 12 month period January-December 21), as the Aerospace sector continues to ramp up production with pre-pandemic levels of travel now being witnessed. We are also witnessing a steady rise in build rates planned over the period covered in our forecast to higher levels than 2019. This has resulted in an increase in group sales of c£1m per month. The sharp rise in sales has naturally caused its own working capital pressures with our supply chain affected by the current global and economical market conditions. To enable us to continue to meet demand, we have secured short and medium term material supplies to support our strong orderbook.

As a result of hedging our supply chain, gross margin is forecast to rise steadily over this period via a mix of tactical and strategic contracts. We are currently in discussions with key customers relating to new work which is driving turnover growth even further. In addition to this, we are deep in to the production process to satisfy substantial purchase orders already won in the financial year March 2023. We are ahead of our sales target at the end of October 2022 with confirmed sales of £16.1m to trade out until the financial year end. In addition to this, we have further contract awards imminent and are confident of exceeding our sales forecast for 2023 of £44m.

Capital expenditure has been a key factor in supporting our growth, with £1.2m invested in the financial period ending March 2022. Further investment of over £3m has been committed for the financial year ending March 2023.

The directors have continued a regular dialogue with the lenders regarding the challenging trading environment. The lenders have agreed to capitalise contractual interest payments due September 2022 and March 2023 in order to allow the group to replenish our cash reserves and provide the organic funding we need for strategic capex and growth. Alongside this, they have agreed to waive the covenant breaches for March 2022, September 2022 and March 2023.

The group closed the financial year with net cash at bank of £2.4m. In addition, the group had £0.3m of headroom in the invoice discounting facility. We are in the process of credit approval to increase the group ID facility from £6m to £8m and to include B&H within that to generate additional liquidity.

No other financial support has been included in the forecasts, although the directors understand that the group would qualify for this support if required.

The impact of the Covid-19 pandemic has been thoroughly considered as part of the directors' review of the going concern basis of preparation. Revenue, costs and timings of cash flows have been adjusted to reflect the impact of the pandemic. The group has taken advantage of the HMRC Job Retention Scheme for those staff who have been furloughed, the deferral of VAT payments and continues to make repayments against the CBILS (Coronavirus Business Interruption Loan Scheme) taken on in March 2021.

AMF PRECISION ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

Based on the above, the directors did not consider there to be material uncertainties regarding the going concern assessment. They also believe that the group is able to meet its liabilities as they fall due, they, and therefore it is appropriate to adopt the going concern basis of preparation for the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Tangible fixed assets

Tangible fixed assets 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:

Leasehold improvements	Over the period of the lease
Plant and machinery	20% on cost
Office equipment	20% on cost
Motor vehicles	25% on cost

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 credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible 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.

AMF PRECISION ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.7 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

AMF PRECISION ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

1.9 Equity instruments

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

1.10 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 profit and loss account 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.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing 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 profit and loss account, 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.

1.11 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 stock or fixed 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.

1.12 Retirement benefits

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

AMF PRECISION ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

1.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.14 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.15 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 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022 Number	2021 Number
Total	49	44

AMF PRECISION ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

3 Tangible fixed assets

	Leasehold improvements	Plant and machinery	Office equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2021	267,665	2,497,849	88,564	18,084	2,872,162
Additions	-	41,903	2,834	-	44,737
At 31 March 2022	267,665	2,539,752	91,398	18,084	2,916,899
Depreciation and impairment					
At 1 April 2021	52,621	1,815,284	62,630	1,129	1,931,664
Depreciation charged in the year	17,826	259,992	9,899	4,521	292,238
At 31 March 2022	70,447	2,075,276	72,529	5,650	2,223,902
Carrying amount					
At 31 March 2022	197,218	464,476	18,869	12,434	692,997
At 31 March 2021	215,044	682,565	25,934	16,955	940,498

4 Debtors

	2022	2021
	£	£
Amounts falling due within one year:		
Trade debtors	1,420,412	925,081
Amounts owed by group undertakings	488,632	527,624
Other debtors	164,418	200,799
	2,073,462	1,653,504

AMF PRECISION ENGINEERING LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2022****5 Creditors: amounts falling due within one year**

	2022	2021
	£	£
Trade creditors	1,494,849	762,932
Amounts owed to group undertakings	4,386	10,808
Taxation and social security	342,487	244,960
Other creditors	1,304,165	1,016,153
	<u>3,145,887</u>	<u>2,034,853</u>

Other creditors include £826,221 (2021: £572,365) relating to invoice discounting which is secured on the debtors to which they relate.

Included within other creditors is £246,035 (2021: £282,131) which is secured over the assets to which they relate to.

6 Creditors: amounts falling due after more than one year

	2022	2021
	£	£
Other creditors	<u>646,339</u>	<u>837,995</u>

Creditors falling due after more than one year totalling £646,339 (2021: £837,995) are secured over the company's assets.

Creditors which fall due after five years are as follows:

	2022	2021
	£	£
Payable by instalments	<u>-</u>	<u>259,990</u>

7 Finance lease obligations

	2022	2021
	£	£
Future minimum lease payments due under finance leases:		
Within one year	246,035	284,216
In two to five years	831,982	859,256
In over five years	-	259,990
	<u>1,078,017</u>	<u>1,403,462</u>
Less: future finance charges	<u>(185,643)</u>	<u>(283,566)</u>
	<u>892,374</u>	<u>1,119,896</u>

AMF PRECISION ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

7 Finance lease obligations

(Continued)

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

8 Audit report information

As the income statement has been omitted from the filing copy of the financial statements, the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.

The senior statutory auditor was Paul Locker and the auditor was MHA Moore and Smalley.

9 Financial commitments, guarantees and contingent liabilities

The company has provided an unlimited guarantee along with fellow group companies under common control regarding the investment made by Realta Investments Ireland DAC relating to Project Zephyr. This security given contains fixed and floating charges and a negative pledge.

The company has in place a debenture with Close Brothers Limited, by way of fixed and floating charges over all the property or undertaking of the company and contains a negative pledge.

10 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

	2022	2021
	£	£
	1,938,775	1,896,132
	<u> </u>	<u> </u>

11 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2022	2021
	£	£
Acquisition of tangible fixed assets	-	30,453
	<u> </u>	<u> </u>

12 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties:

AMF PRECISION ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

12 Related party transactions

(Continued)

	Leasing of property	
	2022	2021
	£	£
Other related parties	150,000	150,000

The company has taken advantage of the exemption permitted under Section 33 'Related Party Disclosures' paragraph 33.1A from disclosing transactions with the ultimate parent company, parent company and other 100% subsidiary companies.

The following amounts were outstanding at the reporting end date:

	2022	2021
	£	£
Amounts due from related parties		
Other related parties	141,579	189,802

Interest is charged on the loan to the related party at 4% per annum.

13 Parent company

The company's immediate parent company is ASG Investments 9 Limited. The ultimate parent company of AMF Precision Engineering Limited is Pasargad 1 Limited.

Copies of the consolidated financial statements of Aero Services Global Group Limited, which is both the smallest and largest group for which consolidated financial statements are prepared, may be obtained from No.1 Marsden Street, Manchester, England, M2 1HW.

The ultimate controlling party of AMF Precision Engineering Limited is Said Amin Amiri, who is the sole shareholder of Pasargad 1 Limited, the General Partner of Amiri Assets III LP, which has the majority of the voting rights of Aero Services Global Group Limited.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.