

Registered number: 00138853

Aeronautical & General Instruments Limited

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

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AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

COMPANY INFORMATION

Directors	T Burley D Hyde
Registered number	00138853
Registered office	Fleets Point Willis Way Poole Dorset BH15 3SS
Trading Address	Fleets Point Willis Way Poole Dorset BH15 3SS
Independent auditors	Pricewaterhousecoopers LLP Chartered Accountants and Statutory Auditors Savannah House 3 Ocean Way Southampton SO14 3TJ
Bankers	HSBC Bank plc PO Box 68 130 New Street Birmingham B2 4JH

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

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AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

Introduction

The directors present their strategic report for the year ended 31 March 2020.

Business review

The principal activity of the Company is the design, development and manufacture of aviation and marine systems.

The profit for the financial year amounted to £3,854,000 (2019: £3,073,000) primarily due to an increase in revenue and higher margins as a result of a mix in products.

Revenue was higher than 2019 at £19,549,000 (2019: £17,400,000) due to a specific one-off requirement from a customer in the USA which was delivered in FY20. Sales to the UK and the rest of Europe accounted for 28% of sales at £5,474,000 (2019: 31% of sales at £5,361,000), sales to USA 42% at £8,366,000 (2019: 37% of sales at £6,356,000) and sales to other regions 29% totalled £5,709,000 (2019: 33% of sales at £5,683,000).

The Company's net assets at the year end were £22,525,000 (2019: £18,671,000).

There is an increase in working capital of £3,957,000 to £23,057,000 (2019: £19,100,000) due to an increase in amounts owed by Group undertakings of £2,440,000. The closing cash balance at the reporting date had increased to £1,091,000 (2019: £441,000), due to positive cash generation from trading profit.

Directors have considered the risks of Brexit on the Company, sales to the rest of Europe is less than 10%. Due to the countries the Company operates in and where we source our goods or export the risk is not considered significant.

The directors have considered the risks of COVID-19, the business benefits from long-term contracts performing work for defence agencies and their direct suppliers. To date the effect of COVID-19 on the business has been limited with only small delays in future order bookings with minimal impact elsewhere.

Future developments

The Company is looking to grow profit organically by growing market share and continuing to reduce costs through business improvement programmes.

Principal risks and uncertainties

The Company considers the key risks as financial, operational and commercial.

Financial risks are mitigated through careful management of liquidity funding coupled with the hedging of foreign exchange risk. Additionally, the Company is exposed to credit risk, which it manages through customer vetting, management of terms of trade and close monitoring of aged debt.

Operational risk is managed through a combination of internal monitoring activities and external compliance audits, close and transparent management reporting and maintaining appropriate levels of insurance. Business improvement and quality programmes are operated within the Company and are regularly reviewed and updated.

Commercial risk is managed through developing products which require complex technical characteristics in niche markets requiring high levels of competitive barriers to entry and the maintenance of high standards of quality.

There is a high level of transparency and accountability of the Company operations to the Board of Directors.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020**

Financial key performance indicators

The Company monitors and reports KPIs covering all aspects of the business to the Board of Directors of the ultimate parent company JFL-AGI LLC. The main indicators are discussed below.

The Company's revenue has increased from £17,400,000 to £19,549,000.

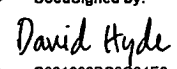
There was an increase in EBITDA from £3,571,000 to £3,899,000 of 9% mainly due to increased revenue. EBITDA is calculated as operating profit of £3,816,000 (2019: £3,490,000) adding back depreciation £83,000 (2019: £81,000).

The order book has decreased by £1,796,000 (£9,742,000 to £7,946,000) to in increased output of revenue in the year.

Cash and cash equivalents have increased by 147% from £441,000 to £1,091,000, due to positive cash generation from trading profit.

The directors are satisfied with the performance against these KPIs.

This report was approved by the board on 23 March 2021 and signed on its behalf.

DocuSigned by:

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D Hyde
Director

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2020**

The directors present their report and the audited Financial Statements for the year ended 31 March 2020.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Financial Statements for each financial year. Under that law the directors have elected to prepare the Financial Statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS102 '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 these Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £3,854,000 (2019 - £3,073,000).

The directors propose no dividend payment (2019: nil).

Directors

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

T Burley (appointed 8 July 2019)
D Hyde
G Eeles (resigned 5 July 2019)

The Company has entered into indemnity deeds with all its current Directors containing qualifying indemnity provisions, as defined in Section 234 of the Companies Act 2006, under which the Company has agreed to indemnify each Director in respect of certain liabilities, which may be attached to them as Directors of the Company or any of its subsidiaries.

All such indemnity provisions are in force during the year and as at the date of this Directors' report.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Future developments

A review of the business and the future developments of the Company are presented in the Strategic Report on page 1.

Principal risks and uncertainties

The Company's principal risks and uncertainties are included in the strategic report.

Financial risk management

The principal risks associated with the Company's financial assets and liabilities are set out below.

Liquidity risk

The Company aims to mitigate liquidity risk by managing cash generated by its operations. The Company manages this risk through a weekly rolling cash flow forecast to monitor expected cash requirements in the future. The Company is party to a cross-guarantee securing the overdraft and certain other financing facilities of other Group companies.

Credit risk

The Company considers credit risk to be low, despite the impact of Covid-19 due to the nature of the customer base and levels of direct and indirect government contracts. The Company monitors credit limits and carries out credit checks to minimise credit risk.

Foreign currency risk

The Company has exposure to a number of foreign currencies through its purchases and sales of products. Exposure is principally to US dollars and Euros. The Company takes out forward foreign currency contracts to partially mitigate this risk, consistent with the Group's policy of hedging against known and highly probable exposures for a 12 month forward period.

Given the size of the Company the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board.

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
- the director have taken all the steps that they ought to have been 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.

Post balance sheet events

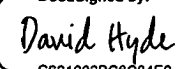
Post balance sheet events have been disclosed in note 24.

Independent Auditors

The independent auditors, Pricewaterhousecoopers LLP, have indicated their willingness to continue in office in accordance with Section 487 of the Companies Act 2006.

This report was approved by the board on 23 March 2021 and signed on its behalf.

DocuSigned by:


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D Hyde
Director

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Aeronautical & General Instruments Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 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 March 2020; 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AERONAUTICAL & GENERAL
INSTRUMENTS LIMITED**

Reporting on other information (continued)

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 March 2020 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 Directors' Responsibilities Statement set out on page 3, 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.

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.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AERONAUTICAL & GENERAL
INSTRUMENTS LIMITED**

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 received 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.



Kevin Godfrey (Senior statutory auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Southampton

23 March 2021

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 £000	2019 £000
Turnover	4	19,549	17,400
Cost of sales		(10,316)	(10,055)
Gross profit		9,233	7,345
Administrative expenses		(5,964)	(4,294)
Other operating income	5	547	439
Operating profit	6	3,816	3,490
Interest receivable and similar income	10	10	44
Interest payable and expenses	11	(49)	(174)
Profit before tax		3,777	3,360
Tax on profit	12	77	(287)
Profit for the financial year		3,854	3,073
 Total comprehensive income for the year		 3,854	 3,073

The notes on pages 11 to 29 form part of these financial statements.

All results above are from continuing operations.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED
REGISTERED NUMBER: 00138853

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Note	2020 £000	2019 £000
Fixed assets			
Tangible assets	13	501	280
		<u>501</u>	<u>280</u>
Current assets			
Stocks	14	2,570	3,074
Debtors	15	25,324	20,774
Cash at bank and in hand		1,091	441
		<u>28,985</u>	<u>24,289</u>
Creditors: amounts falling due within one year	16	(5,926)	(5,189)
Net current assets		<u>23,059</u>	<u>19,100</u>
Total assets less current liabilities		<u>23,560</u>	<u>19,380</u>
Provisions for liabilities			
Deferred tax	18	(83)	(31)
Other provisions	19	(952)	(678)
		<u>(1,035)</u>	<u>(709)</u>
Net assets		<u>22,525</u>	<u>18,671</u>
Capital and reserves			
Called up share capital	20	928	928
Share premium account		233	233
		<u>1,161</u>	<u>1,161</u>
Accumulated losses			
At the beginning of the period		17,510	14,437
Profit for the financial year		3,854	3,073
		<u>21,364</u>	<u>17,510</u>
Total shareholders' funds		<u>22,525</u>	<u>18,671</u>

The financial statements on pages 8 to 29 were approved and authorised for issue by the board and were signed on its behalf on 23 March 2021.

DocuSigned by:

David Hyde

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D Hyde
 Director

The notes on pages 11 to 29 form part of these financial statements.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 April 2018	928	233	14,437	15,598
Profit for the year	-	-	3,073	3,073
Total comprehensive income for the year	-	-	3,073	3,073
At 31 March 2019	928	233	17,510	18,671
Profit for the year	-	-	3,854	3,854
Total comprehensive income for the year	-	-	3,854	3,854
At 31 March 2020	928	233	21,364	22,525

The notes on pages 11 to 29 form part of these financial statements.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

1. General information

Aeronautical & General Instruments Limited operates in the manufacturing industry designing and developing aviation and marine systems.

The Company is a private limited company limited by shares and is incorporated in England, United Kingdom. The address of its registered office is Fleets Point, Willis Way, Poole, Dorset, BH15 3SS.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, as modified by the recognition of certain financial assets and liabilities at fair value, and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

Exemptions for qualifying entities under FRS102

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

The Company has taken advantage of the following exemptions:

i) The requirement to prepare a statement of cash flows, under FRS 102 paragraph 1.12(b), on the basis that it is a qualifying entity and an intermediate parent Company, AGI UK Acquisition Limited, a company registered in the United Kingdom, includes the Company's cash flows in its own publically available consolidated financial statements [Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17 (d)].

ii) The requirement to disclose transactions with wholly owned subsidiaries within the Group. [Section 33 Related Party Disclosures paragraph 33.1a].

The following principal accounting policies have been applied:

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

2. Accounting policies (continued)**2.2 Going concern**

The Company meets its day-to-day working capital requirements through cash on hand and its bank facilities. The directors have considered the risks of COVID-19, and deem the impact to be low given that the Company benefits from long-term contracts, as well as performing work for defence agencies and their direct suppliers. To date the effect of COVID-19 on the Company has been limited with only small delays in future order bookings. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company are able to operate within the level of its current facilities agreed at the date of approval of these financial statements. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months following the signing of these financial statements.

The Company therefore continues to adopt the going concern basis in preparing its financial statements, under the historical cost convention, by recognition, as notified, of certain financial assets and liabilities at fair value, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

2.3 Foreign currency translation**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the average exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

2. Accounting policies (continued)

2.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Construction contracts

Long term contract accounting is applied where a contract is specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. Therefore revenue is recognised on a percentage of completion basis whereby a portion of the contract revenue is recognised based on contract costs incurred to date. This is primarily by reference to total cost or labour hours dependant what best reflects the underlying effort, compared with total estimated costs at completion. Profits are determined once the outcome of the contract can be assessed with reasonable certainty, after making reserves against all anticipated costs, including possible warranty claims. Where billing milestones is considered to be a fair proxy for percentage of completion on a contract, revenue is then recognised based on the achievement of specified contractual billing milestones.

Where contracts are subject to bill and hold arrangements, title passes to the customer and sales are recognised on the billing date. Further to this, inventory is on hand at the year end and ready for delivery, the buyer has accepted title of the goods and agreed a deferred delivery date, standard payment terms apply to invoices raised and delivery of goods remains probable.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

2. Accounting policies (continued)

2.5 Other operating income

Other operating income is recognised in the Statement of Comprehensive Income as earned. Other operating income includes royalty income and consultancy income work carried out from North America.

2.6 Leased assets

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

2.7 Research and development

Research and development expenditure is written off as incurred, in the period in which the expenditure arises. Development costs incurred on specific projects are capitalised when recoverability can be assessed with reasonable certainty and are amortised to the statement of comprehensive income over their estimated useful economic life of three years.

2.8 Pensions

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

2. Accounting policies (continued)

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- 10% to 25%
Plant and machinery	- 10% to 25%
Fixtures fittings and tooling	- 10%
Computer equipment	- 20% to 33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads. Where necessary, a provision is made for obsolete, slow moving and defective inventories.

2.12 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.13 Accrued and deferred income

The excess of payments received and receivable, over amounts recorded as revenue, is recorded as payments received in advance and included within payables due within one year. Where the Company has performed services that have not yet been invoiced it may accrue an appropriate amount of income.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

2. Accounting policies (continued)

2.14 Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Basic financial assets, including trade and other receivables, and loans to Group companies, cash and cash equivalents are initially recognised at transaction price, 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. Such assets are subsequently carried at amortised cost using the effective interest method.

Trade Receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. An allowance for uncollectable trade receivables is recorded as necessary based on a combination of write-off history, ageing analysis, and any specific, known troubled accounts.

Cash at bank and in hand includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are recognised in administration costs in the Statement of Comprehensive Income for the excess of the carrying value of the asset over the present value of the estimated future cash flows.

Financial liabilities

Basic financial liabilities, including trade and other payables, and loans from 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 receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade and other payables are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. Amounts are unsecured and usually settled on standard commercial trade terms.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Gains and losses on settlement and changes in the fair value of derivatives are recognised in the Statement of Comprehensive Income in finance expense or finance income as appropriate.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual right to the cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some of the significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

2. Accounting policies (continued)

2.14 Financial instruments (continued)

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Hedging arrangements

The Company does not apply hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies. Hedge accounting is not applied to interest risk associated with interest rate fluctuations on the loan balances with third parties.

2.15 Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Company financial statements.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the statement of financial position date and the amounts reported for revenue and expenses during the year. Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

It is the view of the Directors that no critical accounting judgements in applying the entity's accounting policies have been made in these financial statements.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Inventory provisioning

The Company manufactures and sells aviation and marine systems from the United Kingdom. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated ability to sell finished goods and future usage of raw materials. See note 14 for the net carrying amount of the inventory and associated provision.

Revenue recognition for long term contracts

For long term fixed price contracts the company recognises the revenue once the outcome of the contract can be reliably estimated, and recognises revenue according to the stage of completion of the contract, on a percentage of cost basis. Reliable estimation of both the outcome and the revenue to be recognised in the year requires management to assess for each such contract the stage of completion, future costs in fulfilling the contract and collectability of resulting debtors. A provision is recognised for those contracts where a loss is estimated on the total contract. No provisions have been required to be recognised in the current and prior year.

Warranty provisions

In assessing the need for, and valuation of, a warranty provision at each year end management make a provision using past experience of historical claims and for specific claims known at the year end date. See Note 20 for the provision recognised in the current year.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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4. Turnover

Revenue is wholly attributable to the Company's principal activity being the sales of goods and originates in the UK.

	2020 £000	2019 £000
Sales of goods	16,991	14,158
Construction contracts	2,558	3,242
	<u>19,549</u>	<u>17,400</u>

Analysis of turnover by country of destination:

	2020 £000	2019 £000
United Kingdom	4,135	3,763
USA	8,366	6,356
Rest of world	7,048	7,281
	<u>19,549</u>	<u>17,400</u>

5. Other operating income

	2020 £000	2019 £000
Royalty receivable	93	101
Consulting income	454	338
	<u>547</u>	<u>439</u>

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

6. Operating profit

The operating profit is stated after charging/(crediting):

	2020 £000	2019 £000
Research & development charged as an expense	368	324
Depreciation of owned assets	83	81
Exchange gains	(280)	(105)
Operating lease rentals - plant and machinery	54	57
Operating lease rentals - land and buildings	182	182
Impairment of trade receivables	28	187
Inventory recognised as an expense	5,590	5,222
	<u>5,590</u>	<u>5,222</u>

7. Auditors' remuneration

	2020 £000	2019 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	40	32
	<u>40</u>	<u>32</u>

Fees payable to the Company's auditor and its associates in respect of:

Tax advisory services	5	7
All other services	5	6
	<u>10</u>	<u>13</u>

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

8. Employees

Staff costs were as follows:

	2020	<i>2019</i>
	£000	<i>£000</i>
Wages and salaries	5,684	5,259
Social security costs	574	573
Other pension costs	202	215
	<u>6,460</u>	<u>6,047</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2020	<i>2019</i>
	No.	<i>No.</i>
Manufacturing	70	69
Sales, administration and distribution	74	73
	<u>144</u>	<u>142</u>

9. Directors' remuneration

All directors are remunerated by other Group companies. £86,383 was recharged to the Company in the year in respect of their costs.

10. Interest receivable and other income

	2020	<i>2019</i>
	£000	<i>£000</i>
Gains on derivative instruments	10	43
Interest receivable on loans, bank balances & deposits	-	1
	<u>10</u>	<u>44</u>

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

11. Interest payable and similar expenses

	2020 £000	2019 £000
Other interest	4	7
Losses on derivative instruments	45	167
	<u>49</u>	<u>174</u>

12. Tax on profit

	2020 £000	2019 £000
Corporation tax		
Current tax on profits for the year	-	132
Adjustments in respect of previous periods	(129)	159
	<u>(129)</u>	<u>291</u>
Total current tax	<u>(129)</u>	<u>291</u>
Deferred tax		
Origination and reversal of timing differences	48	(4)
Changes to tax rates	4	-
	<u>52</u>	<u>(4)</u>
Total deferred tax	<u>52</u>	<u>(4)</u>
Taxation (credit)/charge on profit on ordinary activities	<u>(77)</u>	<u>287</u>

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

12. Tax on profit (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2019 - *lower than*) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
Profit on ordinary activities before tax	<u>3,777</u>	<u>3,360</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	718	638
Effects of:		
Expenses not deductible for tax purposes	2	4
Adjustments to tax charge in respect of prior periods	(129)	159
Non-taxable income	7	(15)
Group relief received for nil consideration	(675)	(499)
Total tax (credit)/charge for the year	<u>(77)</u>	<u>287</u>

Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted by Finance Act 2016). This new law was substantively enacted on 17 March 2020. As the proposal to maintain the rate at 19% has been substantively enacted at the balance sheet date, its effects are included in these financial statements.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

13. Tangible fixed assets

	Leasehold improvements £000	Plant and machinery £000	Fixtures, fittings and tooling £000	Computer equipment £000	Total £000
Cost					
At 1 April 2019	673	474	321	392	1,860
Additions	20	16	-	268	304
At 31 March 2020	693	490	321	660	2,164
Depreciation					
At 1 April 2019	611	356	276	337	1,580
Charge for the year	10	19	6	48	83
At 31 March 2020	621	375	282	385	1,663
Net book value					
At 31 March 2020	72	115	39	275	501
At 31 March 2019	62	117	45	56	280

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

14. Stocks

	2020	2019
	£000	£000
Raw materials and consumables	1,526	1,841
Work in progress	1,044	1,233
	<u>2,570</u>	<u>3,074</u>

The difference between purchase price or production cost of inventory and its replacement cost is not material. Inventories are stated after provisions for impairment of £821,000 (2019: £999,000).

15. Debtors

	2020	2019
	£000	£000
Trade debtors	5,326	4,900
Amounts owed by group undertakings	17,608	12,960
Other debtors	117	82
Prepayments and accrued income	1,837	2,811
Corporation tax	433	-
Derivative financial instruments	3	21
	<u>25,324</u>	<u>20,774</u>

Amounts owed by Group undertakings are unsecured, interest free and repayable on demand and have no fixed date of repayment. Trade receivables are stated after provisions for impairment of £28,000 (2019: £187,000).

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

16. Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	1,946	2,519
Amounts owed to group undertakings	2,037	1,077
Corporation tax	-	115
Other taxation and social security	162	159
Accruals and deferred income	1,757	1,312
Financial instruments	24	7
	5,926	5,189

Amounts owed to Group companies are unsecured, interest free and repayable on demand and have no fixed date of repayment.

17. Financial instruments

	2020 £000	2019 £000
Financial assets		
Derivative financial instruments measured at fair value through profit or loss	3	21
Trade debtors	5,326	4,900
Amounts owed by group companies	17,608	12,960
Other debtors	117	82
Accrued income	1,649	2,661
	24,703	20,624
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss	24	7
Trade creditors	1,946	2,519
Amounts owed to group companies	2,037	1,077
Accruals	1,187	825
	5,194	4,428

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

18. Deferred taxation

	2020 £000
At beginning of year	(31)
Charged to statement of comprehensive income	(52)
At end of year	(83)

The provision for deferred taxation is made up as follows:

	2020 £000	2019 £000
Accelerated capital allowances	(83)	(31)
	<u>(83)</u>	<u>(31)</u>

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. There are no unused tax losses or unused tax credits.

19. Other provisions

	Warranty provision £000
At 1 April 2019	678
Charged to statement of comprehensive income	546
Utilised in year	(272)
At 31 March 2020	952

Warranty provisions

The provision represents the best estimate of the potential exposure on customer claims against work carried out. It is expected that any transfer of economic benefits will occur within two years.

20. Share capital

	2020 £000	2019 £000
Authorised, allotted, called up and fully paid		
928,489 (2019 - 928,489) Ordinary shares of £1 each	<u>928</u>	<u>928</u>

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

20. Share capital (continued)

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

21. Contingent liabilities

As part of the normal process of trade, BNP Paribas provides certain performance and advance payment guarantees required by some customers in relation to contracts entered into by the Group. In return, the Group provides the bank with counter indemnities for the granting of such guarantees, which amounted to £711,000 at 31 March 2020 (2019: £803,000).

BNP Paribas also provides a backstop letter of credit of £nil (2019: £373,000) to cover certain performance and advance payment guarantees provided by HSBC Bank PLC, which at 31 March 2020 amounted to £nil (2019: £289,000). This letter of credit also covers certain day to day banking facilities provided by HSBC Bank PLC as part of their corporate banking provision.

The Group has indemnified BNP Paribas in connection with a duty deferment guarantee in favour of HM Revenue & Customs in the sum of £440,000 (2019: £280,000).

At the year end date the Company had guaranteed or had joint and several liability for drawn AGI LLC bank facilities of £54,881,000 (2019: £52,597,000) provided to certain Group companies.

22. Pension commitments

Aeronautical & General Instruments Limited operate defined contribution schemes for the benefit of their employees. The assets of the Schemes are administered by trustees, in funds independent from those of the Company. The charge in the year was £202,000 (2019: £215,000). The unpaid contributions outstanding at the year end are £nil (2019: £nil).

23. Commitments under operating leases

At 31 March 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020	2019
	£000	£000
Not later than 1 year	227	227
Later than 1 year and not later than 5 years	800	819
Later than 5 years	257	439
	1,284	1,485

There were no capital commitments outstanding at the reporting date (2019: £nil).

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

24. Post balance sheet event

On 31 July 2020 and 17 August 2020 the AGI Holdings LLC amended the loan agreements with BNP Paribas, as drawn by other Group companies and cross guaranteed by the Company (see note 19 and 26). The agreement was amended to provide a waiver of the debt covenants for the quarters ended 31 March 2020 and 30 June 2020, as well as revising the covenant thresholds for future covenant periods.

25. Related party transactions

Related party transactions consist of transactions with other members of the AGI Holdings LLC Group and J F Lehman & Co, the manager of JFL Equity Investors III, L.P.

During the year J F Lehman & Co charged management fees and expenses to the Company totalling £427,000 (2019: £207,000). At the end of the year £nil (2019: £207,000) was outstanding.

The Company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the Group under the same ultimate controlling party.

26. Ultimate parent undertaking

The Company's immediate parent undertaking at 31 March 2020 is Aeronautical & GI Holdings Limited, a company incorporated in England and Wales. The Ultimate Parent Company is JFL-AGI LLC, a company formed in Delaware in the United States. The directors consider that JFL Equity Investors III, L.P. and its affiliated funds are the ultimate controlling party of the Group. The only publicly available consolidation that the company is included in is AGI UK Acquisition Limited. The addresses of these companies are as follows:

Aeronautical & GI Holdings Limited:
Fleets Point, Willis Way, Poole, Dorset, BH15 3SS, UK

JFL Equity Investors III, L.P:
2001 Jefferson Davis Hwy Suite 607, Arlington, VA 22202, United States

AGI UK Acquisition Limited:
Fleets Point, Willis Way, Poole, Dorset, BH15 3SS, UK