

Company registration number 00138853 (England and Wales)

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

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AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

COMPANY INFORMATION

Directors	D P Hyde R D Elkington	(Appointed 6 May 2022)
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Company number	00138853
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Registered office	Fleets Point Willis Way Poole Dorset BH15 3SS
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Auditor	Azets Audit Services 37 Commercial Road Poole Dorset BH14 0HU
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AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2022

The directors present the strategic report for the Period ended 31 December 2022.

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

Business Review

The profit for the financial year amounted to £107,000 (year ended 31 March 2022: £1,811,000) with revenue lower primarily due to the nine-month accounting period. Ongoing cost control measures in cost of sales and administrative expenses were offset by one-off restructuring costs. Gross profit reduced from 44% to 39%. The order book increased by £5,910,000 to £17,308,000.

Turnover for the period ended 31 December 2022 was £10,562,000 (year ended 31 March 2022: £13,933,000). As the Company continues to expand its international activities, 46% of turnover was generated from the non-US / non-UK customers in the period. Construction contracts represented 43% of turnover in the period up from 24% in the year ended 31 March 2022. The turnover note 3 provides detailed analysis of turnover by geographical market and class of business).

The Company's net assets at the period end were £12,842,000 (31 March 2022: £12,735,000). As a result of improved trading performance, the closing cash balance had increased to £730,000 (31 March 2022: £405,000).

The Company is also 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 PERIOD ENDED 31 DECEMBER 2022

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. The main indicators are discussed below:

The Company's turnover has decreased from £13,933,000 to £10,562,000 primarily due to the change in accounting date with nine months in the period ended 31 December 2022.

There was a reduction in EBITDA to £458,000 from £2,145,000 (in the period to 31 December 2022) mainly due to restructuring costs and a reduction in gross profit and the reduction in the number of months in the period. EBITDA is calculated as operating profit of £185,000 (year ended 31 March 2022: £1,867,000) adding back depreciation of £141,000 (year ended 31 March 2022: £157,000), and amortisation of £132,000 (year ended 31 March 2022: £121,000).

The order book has increased by £5,910,000 (£11,398,000 to £17,308,000) due to significant multi-year orders.

Cash and cash equivalents have increased by 80% from £405,000 to £730,000.

The directors are satisfied with the performance against these KPIs. Revenue is expected to return to previous levels in the next 2 years, due to the increased volume of defence sales.

Directors' duties under s172(1)

The directors of the Company must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 and include a duty to promote the success of the Company for the benefit of its members as a whole.

The directors fulfil these duties through engagement with employees, suppliers and customers, and shareholders and these are detailed as follows:

Engagement with employees

Employee involvement is promoted through regular consultation on issues concerning business performance, working conditions, industry trends and future developments. The Company continues to keep staff informed and involved through communication channels such as email, newsletter and town hall presentations.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Engagement with customers, suppliers, and others

Customers

Every customer has a team continually engaging with them and adapting our approach to ensure their needs are met. Formal feedback is obtained and reviewed at all levels of our organisation to ensure we continuously improve and evolve our business processes and delivery solutions.

Suppliers

In addition to day-to-day engagement through normal business activity, we actively engage with key partners through a series of 'Board to Board' meetings with executive team members and their counterparts in other key industry partners.

We engage with our suppliers through regular review meetings. This engagement ensures we are partnering effectively to support our customers.

Regulators

We engage with regulators via meetings, audits and reports. Through engagement we are able to ensure we continue to meet the high standards expected by regulators.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2022

Shareholders

The Company makes distributions to their shareholders by the use of dividend payments at the discretion of the ultimate parent company.

This report was approved by the board on 28 September 2023 and signed on its behalf.

On behalf of the board

D P Hyde
Director

28 September 2023

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the Period ended 31 December 2022.

Results and dividends

The results for the Period are set out on page 13.

Ordinary dividends were paid amounting to £nil (year ended 31 March 2022: £13,600,000). The directors do not recommend payment of a further dividend.

Directors

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

D P Hyde

R D Elkington

T Burley

(Appointed 6 May 2022)

(Resigned 6 May 2022)

Qualifying third party indemnity provisions

The Company has entered into indemnity deeds with all its current Directors containing qualifying third-party 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.

Auditor

Azets Audit Services were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

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 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.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2022

Principal risks and uncertainties

The Company's principal risks and uncertainties are included in the Strategic Report.

Financial risk management

The Company is exposed to a variety of financial risks as a result of its operations, these are the effect of changes in liquidity risk, credit risk and foreign currency.

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 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.

Future developments

A review of the business and the future developments of the Company are presented in the Strategic Report on page 2.

Going Concern

Given the interrelationship between the Company and its fellow UK subsidiaries, all of which are headed by AGI UK Acquisition Limited, the Directors review the forecasts and projections of the wider UK group headed by AGI UK Acquisition Limited ("the Group") taking account of reasonably possible changes in trading performance to assess the ability of the Group, and therefore the Company, to continue as a Going Concern.

Following a group restructure and consequent refinancing in April 2022, the Group has no external debt and is funded through intercompany loans from TMS Group Holdings LLC. Whilst the Group is forecast to remain cash generative, it will from time to time require additional funding from the parent, and also assurance that the loan balances will not be recalled.

Therefore, the Group receives confirmation from its parent company, TMS Group Holdings LLC, that it will support each of AGI UK Acquisition Limited and its subsidiaries, for a period of not less than 12 months from the approval of these financial statements.

After assessing the principal risks the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2022

On behalf of the board

D P Hyde
Director

28 September 2023

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2022

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, 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 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 also 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.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

Opinion

We have audited the financial statements of Aeronautical & General Instruments Limited (the 'company') for the Period ended 31 December 2022 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the Period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial Period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the sector in which the Company operates;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection, anti-bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgments and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mr Andrew Singleton
Senior Statutory Auditor
For and on behalf of Azets Audit Services

29 September 2023

Chartered Accountants
Statutory Auditor

37 Commercial Road
Poole
Dorset
BH14 0HU

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2022

		Period ended 31 December 2022 £000	Year ended 31 March 2022 £000
	Notes		
Turnover	3	10,562	13,933
Cost of sales		(6,412)	(7,738)
Gross profit		4,150	6,195
Administrative expenses		(4,205)	(4,559)
Other operating income		240	231
Operating profit	4	185	1,867
Interest receivable and similar income	8	15	545
Interest payable and similar expenses	9	(120)	(379)
Profit before taxation		80	2,033
Tax on profit	10	27	(222)
Profit and total comprehensive income for the year		107	1,811

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

The notes on pages 16 to 33 form part of these financial statements.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2022

		31 December 2022	31 March 2022
	Notes	£000	£000
Fixed assets			
Intangible assets	12	701	459
Tangible assets	13	778	751
		<u>1,479</u>	<u>1,210</u>
Current assets			
Stocks	14	3,398	3,245
Debtors	16	14,569	15,221
Cash at bank and in hand		730	405
		<u>18,697</u>	<u>18,871</u>
Creditors: amounts falling due within one year	17	<u>(6,777)</u>	<u>(6,654)</u>
Net current assets		<u>11,920</u>	<u>12,217</u>
Total assets less current liabilities		<u>13,399</u>	<u>13,427</u>
Provisions for liabilities			
Provisions	18	(307)	(401)
Deferred tax liability	19	(250)	(291)
		<u>(557)</u>	<u>(692)</u>
Net assets		<u>12,842</u>	<u>12,735</u>
Capital and reserves			
Called up share capital	21	928	928
Share premium account		233	233
Profit and loss reserves		11,681	11,574
Total equity		<u>12,842</u>	<u>12,735</u>

The financial statements were approved by the board of directors and authorised for issue on 28 September 2023 and are signed on its behalf by:

D P Hyde
Director

Company Registration No. 00138853

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2022

		Share capital	Share premium account	Profit and loss reserves	Total
	Notes	£000	£000	£000	£000
Balance at 1 April 2021		928	233	23,363	24,524
Year ended 31 March 2022:					
Profit and total comprehensive income for the year		-	-	1,811	1,811
Dividends	11	-	-	(13,600)	(13,600)
Balance at 31 March 2022		928	233	11,574	12,735
Period ended 31 December 2022:					
Profit and total comprehensive income for the period		-	-	107	107
Balance at 31 December 2022		928	233	11,681	12,842

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Aeronautical & General Instruments Limited is a private company limited by shares incorporated in England and Wales. The registered office is Fleets Point, Willis Way, Poole, Dorset, BH15 3SS.

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.

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 £000.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

This Company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this Company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The Company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the Company are consolidated in the financial statements of TMS Group Holdings LLC. These consolidated financial statements are available from 2011 Crystal Drive, Suite 1102, Arlington, VA 22202, United States.

1.2 Going concern

Given the interrelationship between the Company and its fellow UK subsidiaries, all of which are headed by AGI UK Acquisition Limited, the Directors review the forecasts and projections of the wider UK group headed by AGI UK Acquisition Limited ("the Group") taking account of reasonably possible changes in trading performance to assess the ability of the Group, and therefore the Company, to continue as a Going Concern.

Following a group restructure and consequent refinancing in April 2022, the Group has no external debt and is funded through intercompany loans from TMS Group Holdings LLC. Whilst the Group is forecast to remain cash generative, it will from time to time require additional funding from the parent, and also assurance that the loan balances will not be recalled.

Therefore, the Group receives confirmation from its parent Company, TMS Group Holdings LLC, that it will support each of AGI UK Acquisition Limited and its subsidiaries, for a period of not less than 12 months from the approval of these financial statements.

After assessing the principal risks the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.3 Reporting period

The reporting period has been shortened to 9 months to align the financial year end with the TMS Group Holdings LLC group.

1.4 Turnover

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.

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.

1.5 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Expenditure costs related to development are specific project costs, which are separately identifiable, measurable and management are satisfied as to the ultimate technical and commercial viability of the project. Development costs are capitalised when recoverability can be assessed with reasonable certainty.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation 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:

Computer software	5 years straight line
Development costs	5 years straight line

1.7 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	10% to 25% straight line
Plant and equipment	10% to 25% straight line
Fixtures and fittings and tooling	10% straight line
Computer equipment	20% to 33% straight line

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.

1.8 Impairment of fixed assets

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

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

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

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

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

1.9 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.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

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.

1.10 Cash and cash equivalents

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

1.11 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.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Impairment of financial assets

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

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

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

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, loans from fellow group companies and preference shares that are classified as debt, 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.

Other financial liabilities

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. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

1.12 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.

1.13 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the 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.

1.14 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.15 Employee benefits

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

1.16 Retirement benefits

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

1.17 Leases

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.

1.18 Foreign exchange

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

2 Judgements and key sources of estimation uncertainty

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

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

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2022

2 Judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

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

Stock 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 completion 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 18 for the provision recognised in the current period.

3 Turnover

	31 December 2022 £000	31 March 2022 £000
Turnover analysed by class of business		
Sales of goods	6,015	10,605
Construction contracts	4,547	3,328
	<u>10,562</u>	<u>13,933</u>
	31 December 2022 £000	31 March 2022 £000
Turnover analysed by geographical market		
United Kingdom	2,161	3,695
USA	3,531	5,190
Rest of world	4,870	5,048
	<u>10,562</u>	<u>13,933</u>

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2022

3	Turnover	(Continued)	
		31 December	31 March
		2022	2022
		£000	£000
	Other operating income		
	Interest income	15	545
	Royalty receivable	35	96
	Research & development tax credits	205	135
		=====	=====
4	Operating profit	31 December	31 March
		2022	2022
		£000	£000
	Operating profit for the period is stated after charging/(crediting):		
	Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(392)	65
	Research and development costs	26	283
	Depreciation of owned tangible fixed assets	141	157
	Loss/(profit) on disposal of tangible fixed assets	7	(3)
	Amortisation of intangible assets	132	121
	(Profit)/loss on disposal of intangible assets	-	1
	Cost of stocks recognised as an expense	3,550	3,488
	(Release of)/Additions to trade debtor provisions	(68)	137
	Operating lease rentals - land and buildings	182	182
	Other operating lease rentals	32	60
		=====	=====
5	Auditors' remuneration	31 December	31 March
		2022	2022
		£000	£000
	Fees payable to the Company's auditors and associates:		
	For audit services		
	Audit of the financial statements of the Company	25	53
		=====	=====
	For other services		
	Other taxation services	-	6
		=====	=====

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2022

6 Employees

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

	31 December 2022 Number	31 March 2022 Number
Manufacturing	71	78
Sales, administration and distribution	74	71
Total	145	149

Their aggregate remuneration comprised:

	31 December 2022 £000	31 March 2022 £000
Wages and salaries	5,600	5,500
Social security costs	541	612
Pension costs	216	244
	6,357	6,356

7 Directors' remuneration

All directors are remunerated by other group companies. £424,907 (31 March 2022: £145,877) was recharged to the Company in the period in respect of their costs.

8 Interest receivable and similar income

	31 December 2022 £000	31 March 2022 £000
Interest income		
Interest on bank deposits	8	-
Interest receivable from group companies	7	295
Total interest revenue	15	295
Other income from investments		
Gains on derivative instruments	-	250
Total income	15	545

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2022

9 Interest payable and similar expenses

	31 December	31 March
	2022	2022
	£000	£000
Interest payable to group undertakings	115	93
Losses on derivative instruments	1	282
Other interest	4	4
	<u>120</u>	<u>379</u>

10 Taxation

	31 December	31 March
	2022	2022
	£000	£000
Current tax		
Adjustments in respect of prior periods	14	98
	<u>14</u>	<u>98</u>
Deferred tax		
Origination and reversal of timing differences	(41)	112
Adjustment in respect of prior periods	-	12
	<u>(41)</u>	<u>124</u>
Total deferred tax	(41)	124
	<u>(41)</u>	<u>124</u>
Total tax (credit)/charge	(27)	222
	<u>(27)</u>	<u>222</u>

The actual (credit)/charge for the Period can be reconciled to the expected charge for the Period based on the profit or loss and the standard rate of tax as follows:

	31 December	31 March
	2022	2022
	£000	£000
Profit before taxation	80	2,033
	<u>80</u>	<u>2,033</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	15	386
Non-deductible expenses	1	31
Non-taxable income	(48)	(17)
Adjustments in respect of prior years	14	110
Effect of change in corporation tax rate	(9)	70
Group relief received for nil consideration	-	(358)
	<u>(27)</u>	<u>222</u>
Taxation (credit)/charge for the period	(27)	222
	<u>(27)</u>	<u>222</u>

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. This proposal was substantively enacted 24 May 2021 and therefore the effects of the rate change are included in these financial statements.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2022

11 Dividends

	31 December 2022	31 March 2022	31 December 2022	31 March 2022
	Per share Pence	Per share Pence	Total £000	Total £000
Ordinary shares				
Final paid	-	1.47	-	13,600

12 Intangible fixed assets

	Computer software £000	Development costs £000	Total £000
Cost			
At 1 April 2022	324	320	644
Additions - internally developed	-	374	374
At 31 December 2022	324	694	1,018
Amortisation and impairment			
At 1 April 2022	145	40	185
Amortisation charged for the Period	59	73	132
At 31 December 2022	204	113	317
Carrying amount			
At 31 December 2022	120	581	701
At 31 March 2022	179	280	459

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2022

13 Tangible fixed assets

	Leasehold improvements	Plant and equipment	Fixtures and fittings and tooling	Computer equipment	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2022	794	803	390	629	2,616
Additions	44	84	7	58	193
Disposals	(366)	(100)	-	-	(466)
At 31 December 2022	472	787	397	687	2,343
Depreciation and impairment					
At 1 April 2022	670	410	295	490	1,865
Depreciation charged in the Period	27	36	9	69	141
Eliminated in respect of disposals	(361)	(80)	-	-	(441)
At 31 December 2022	336	366	304	559	1,565
Carrying amount					
At 31 December 2022	136	421	93	128	778
At 31 March 2022	124	393	95	139	751

14 Stocks

	31 December 2022 £000	31 March 2022 £000
Raw materials and consumables	2,026	2,043
Work in progress	1,372	1,202
	3,398	3,245

The difference between purchase price or production cost of stock and its replacement cost is not material. Stocks are stated after provisions for impairment of £1,098,285 (31 March 2022: £1,126,404).

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2022

15 Financial instruments

	31 December 2022 £000	31 March 2022 £000
Financial assets that are measured at amortised cost		
Trade debtors	2,982	3,847
Amounts owed by group companies	8,990	9,364
Other debtors	505	119
Accrued income	1,651	1,418
	<u>14,128</u>	<u>14,748</u>
Financial assets that are measured at fair value through profit or loss		
Derivative financial instruments	-	1
	<u>14,128</u>	<u>14,749</u>
Financial liabilities that are measured at amortised cost		
Trade creditors	1,808	2,100
Amounts owed to group companies	3,656	3,280
Accruals	665	506
	<u>6,129</u>	<u>5,886</u>
Financial liabilities that are measured at fair value through profit or loss		
Derivative financial instruments	-	19
	<u>6,129</u>	<u>5,905</u>

16 Debtors

	31 December 2022 £000	31 March 2022 £000
Amounts falling due within one year:		
Trade debtors	2,982	3,847
Corporation tax recoverable	97	150
Amounts owed by group undertakings	8,990	9,364
Derivative financial instruments	-	1
Other debtors	505	119
Prepayments and accrued income	1,995	1,740
	<u>14,569</u>	<u>15,221</u>

Trade debtors are stated after provisions for impairment of £3,000 (31 March 2022: £3,000).

Amounts owed by group undertakings are unsecured and repayable on demand. Interest has been charged on \$900,000 (31 March 2022: \$1,870,000) at 5.75% and £nil (31 March 2022: £5,383,000) at 5.75%. All other amounts owed by group undertakings are interest free.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2022

17 Creditors: amounts falling due within one year

	31 December 2022 £000	31 March 2022 £000
Notes		
Trade creditors	1,808	2,100
Amounts owed to group undertakings	3,656	3,280
Taxation and social security	160	179
Deferred income	401	185
Other creditors	87	-
Derivative financial instruments	-	19
Accruals and deferred income	665	891
	<u>6,777</u>	<u>6,654</u>

Amounts owed to group undertakings are unsecured and repayable on demand. Interest has been charged on \$2,808,000 (31 March 2022: \$3,050,000) at 5.75%. All other amounts owed by group undertakings are interest free.

18 Provisions for liabilities

	31 December 2022 £000	31 March 2022 £000
Warranty provisions	<u>307</u>	<u>401</u>
Movements on provisions:		
		Warranty provisions £000
At 1 April 2022		401
Additional provisions in the period		49
Reversal of provision		(143)
At 31 December 2022		<u>307</u>

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.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2022

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon:

	Liabilities 31 December 2022 £000	Liabilities 31 March 2022 £000	Assets 31 December 2022 £000	Assets 31 March 2022 £000
Balances:				
Accelerated capital allowances	271	291	-	-
Tax losses	-	-	21	-
	<u>271</u>	<u>291</u>	<u>21</u>	<u>-</u>
Movements in the Period:				2022 £000
Liability at 1 April 2022				291
Credit to profit or loss				(41)
				<u>250</u>
Liability at 31 December 2022				<u>250</u>

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances.

20 Retirement benefit schemes

	31 December 2022 £000	31 March 2022 £000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	216	244
	<u>216</u>	<u>244</u>

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. Contributions totalling £nil (31 March 2022: £339,000) were payable to the fund at the reporting date and are included within creditors.

21 Share capital

	31 December 2022 Number	31 March 2022 Number	31 December 2022 £000	31 March 2022 £000
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	928,489	928,489	928	928
	<u>928,489</u>	<u>928,489</u>	<u>928</u>	<u>928</u>

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2022

22 Financial commitments, guarantees and contingent liabilities

The Company was party to a cross guarantee under the BNP Paribas loan documents (per the UK guarantee, dated 30 June 2016 as amended and restated on 28 July 2017, 31 January 2019, 31 July 2020 and 17 August 2020). Following a group restructure in April 2022 the AGI Group (including Aeronautical & General Instruments Limited) repaid its previous BNP Paribas banking facility and the above guarantee has been cancelled.

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 £Nil at 31 December 2022 (31 March 2022: £455,000).

The Group has indemnified BNP Paribas in connection with a duty deferment guarantee in favour of HM Revenue & Customs in the sum of £Nil (31 March 2022: £160,000).

At the period end date the Company had guaranteed or had joint and several liability for drawn AGI Holdings LLC bank facilities of £Nil (31 March 2022: £42,459,000) provided to certain Group companies.

23 Operating lease commitments

Lessee

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

	31 December 2022 £000	31 March 2022 £000
Within one year	358	238
Between two and five years	1,075	797
In over five years	614	80
	<u>2,047</u>	<u>1,115</u>

24 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 period J F Lehman & Co charged management fees and expenses to the Company totalling £173,000 (31 March 2022: £231,000). At the end of the period £nil (31 March 2022: £489,000) 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.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2022

25 Ultimate controlling party

The Company's immediate parent undertaking at 31 December 2022 is Aeronautical & GI Holdings Limited, a Company incorporated in England & Wales. On 29 April 2022 AGI Holdings LLC was merged with Trident Maritime Systems LLC and the ultimate parent company is TMS Group Holdings 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 addresses of these companies are as follows:

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

TMS Group Holdings LLC:
2011 Crystal Drive, Suite 1102, Arlington, VA 22202, United States

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

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