

Registered number: 00138853

Aeronautical & General Instruments Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021



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

CONTENTS

	Page
Strategic Report	1 - 3
Directors' Report	4 - 6
Independent Auditors' Report	7 - 10
Statement of Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Notes to the Financial Statements	14 - 33

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

Introduction

The directors present their Strategic Report for the year ended 31 March 2021.

Business review

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

The profit for the financial year amounted to £1,999,000 (2020: £3,854,000) primarily due to an decrease in revenue.

Revenue was lower than 2020 at £15,416,000 (2020: £19,549,000). In FY21 there was a decrease in naval systems due to additional requirements in FY20 not being repeated and a lower volume of lighting systems. Sales to the UK accounted for 21% of sales at £3,210,000 (2020: 21% of sales at £4,135,000), sales to USA 41% at £6,313,000 (2020: 43% of sales at £8,366,000) and sales to rest of the world 38% totalled £5,893,000 (2020: 36% of sales at £7,048,000).

The Company's net assets at the year end were £24,524,000 (2020: £22,525,000).

There is an increase in working capital of £1,216,000 to £24,275,000 (2020: £23,059,000) primarily due to an increase in amounts owed by group undertakings of £3,853,000 which has been offset by a reduction in trade debtors of £1,596,000. The closing cash balance at the reporting date had decreased to £357,000 (2020: £1,091,000), due an to increase in cash loans to other group companies.

Directors have considered the risks of Brexit on the Company. Due to the countries the Company operates in and where we source our goods or export the risk is not considered significant. Sales to the rest of Europe only amount to 13% of total sales.

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.

The Company is looking for revenue to return to previous levels in the next 2 years. The Company is also looking to grow profit organically by growing market share and continuing to reduce costs through business improvement programmes.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

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.

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 AGI Holdings LLC. The main indicators are discussed below.

The Company's revenue has decreased from £19,549,000 to £15,416,000.

There was a decrease in EBITDA from £3,899,000 to £2,143,000 of 45% mainly due to decreased revenue. EBITDA is calculated as operating profit of £1,983,000 (2020: £3,816,000) adding back depreciation £118,000 (2020: £83,000) and amortisation £42,000 (2020: £nil).

The order book has increased by £1,459,000 (£7,946,000 to £9,405,000) due to significant one-off orders in the year.

Cash and cash equivalents have decreased by 67% from £1,091,000 to £357,000, primarily due to an increase in cash loans to other group companies.

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 reduced volume from commercial activities to be replaced by 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 these are detailed as follows:

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

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 suppliers, customers 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 the executive team 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.

Greenhouse gas emissions, energy consumption and energy efficiency action

The Company has taken the option not to report the energy usage of the Company as they do not meet the large company requirements under the Companies Act.

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

DocuSigned by:

D Hyde
Director

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2021**

The directors present their Annual Report and the audited Financial Statements for the year ended 31 March 2021.

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 prepared the Financial Statements in accordance with 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 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 judgments 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 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.

Results and dividends

The profit for the financial year amounted to £1,999,000 (2020: £3,854,000).

The directors propose no dividend payment (2020: nil).

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021**

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
D Hyde

Qualifying third-party indemnity provision

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.

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 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, 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.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021**

Going Concern

The Company which forms part of the group headed by AGI Holdings LLC (the "group") meets its day-to-day working capital requirements through cash on hand and its own and group's bank facilities. The Company's forecast and projections, taking account of reasonably possible changes in trading performance show that the Company should be able to operate within the level of its own and group current facilities.

The Company is reliant upon the group's term loans and revolving credit facilities which are due to expire on 30 June 2022, and no refinancing has been agreed at this point. Whilst the Directors have received confirmation from the ultimate parent company that it intends to support the Company for a period of 12 months from the signing of the financial statements, this does not constitute a legally binding commitment. In the event no refinancing is agreed, the group and company, under joint guarantee, would be unable to repay the loans falling due on 30 June 2022, without the support of the ultimate parent company. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Notwithstanding the above matters, in the view of the Directors, it is expected that the group will be able to refinance these borrowings on comparable terms based on the current assessment of future cash flows, and availability of debt in the market, and as such provide the Company access to these facilities. As a result, the financial statements have continued to be prepared on a basis of going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Directors' Confirmations

In the case of each director at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

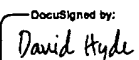
Post balance sheet events

Post balance sheet events have been disclosed in note 26.

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 September 2021 and signed on its behalf.

DocuSigned by:

CB81002BCC6C84E0
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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 March 2021; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2.2 to the financial statements concerning the Company's ability to continue as a going concern. The Company is reliant upon the group's term loans and revolving credit facilities which are due to expire on 30 June 2022, and no refinancing has been agreed at this point. Whilst the Directors have received confirmation from the ultimate parent company that it intends to support the Company for a period of 12 months from the signing of the financial statements, this does not constitute a legally binding commitment. In the event no refinancing is agreed, the group and Company, under joint guarantee, would be unable to repay the loans falling due on 30 June 2022, without the support of the ultimate parent company. These conditions, along with the other matters explained in note 2.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a 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.

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

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

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

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement in respect of the financial statements, 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.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

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

Responsibilities for the financial statements and the audit (continued)

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to defence contracting, relevant tax legislation, anti-bribery and corruption legislation, and environmental legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- discussions with management at multiple levels across departments within the business throughout the year, as well as at year end. These discussions have included consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- understanding and evaluating changes in processes and controls as a result of the COVID-19 pandemic;
- challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to long-term contract accounting;
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management;
- incorporating elements of unpredictability into the audit procedures performed.

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

We have no exceptions to report arising from this responsibility.

K. 

Kevin Godfrey (Senior statutory auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Southampton
27 September 2021

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021**

	Note	2021 £000	2020 £000
Turnover	4	15,416	19,549
Cost of sales		(8,732)	(10,316)
Gross profit		6,684	9,233
Administrative expenses		(4,915)	(5,964)
Other operating income	5	214	547
Operating profit	6	1,983	3,816
Interest receivable and similar income	10	423	10
Interest payable and similar expenses	11	(300)	(49)
Profit before tax		2,106	3,777
Tax on profit	12	(107)	77
Profit for the financial year and total comprehensive income		1,999	3,854

The notes on pages 14 to 33 form part of these financial statements.

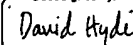
All results above are from continuing operations.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED
REGISTERED NUMBER: 00138853

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	13	254	83
Tangible assets	14	760	418
		<u>1,014</u>	<u>501</u>
Current assets			
Stocks	15	3,145	2,570
Debtors	16	26,788	25,324
Cash at bank and in hand		357	1,091
		<u>30,290</u>	<u>28,985</u>
Creditors: amounts falling due within one year	17	(6,015)	(5,926)
Net current assets		<u>24,275</u>	<u>23,059</u>
Total assets less current liabilities		<u>25,289</u>	<u>23,560</u>
Provisions for liabilities			
Deferred taxation	19	(167)	(83)
Provisions	20	(598)	(952)
		<u>(765)</u>	<u>(1,035)</u>
Net assets		<u>24,524</u>	<u>22,525</u>
Capital and reserves			
Called up share capital	21	928	928
Share premium account		233	233
		<u>1,161</u>	<u>1,161</u>
Profit and loss account			
At the beginning of the year		21,364	17,510
Profit for the financial year		1,999	3,854
		<u>23,363</u>	<u>21,364</u>
Total shareholder' funds		<u>24,524</u>	<u>22,525</u>

The financial statements on pages 11 to 33 were approved and authorised for issue by the board and were signed on its behalf on 23 September 2021.

DocuSigned by:

 CBB1002BCC8C84E0
 D Hyde
 Director

The notes on pages 14 to 33 form part of these financial statements.

During the year we have reclassified £195,000 (2020: £83,000) of assets from 'Computer Equipment' within Tangible Assets (note 14) to 'Computer Software' within Intangible Assets (note 13), to better reflect the nature of those assets.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' funds £000
At 1 April 2019	928	233	17,510	18,671
Profit for the financial 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
Profit for the financial year	-	-	1,999	1,999
Total comprehensive income for the year	-	-	1,999	1,999
At 31 March 2021	928	233	23,363	24,524

The notes on pages 14 to 33 form part of these financial statements.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1. General information

Aeronautical & General Instruments Limited operates in the manufacturing industry designing and developing aviation and naval 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].

iii) A reconciliation of the number of shares outstanding at the beginning and end of the period. [4.12(a)(iv)].

iv) Certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated. [11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A].

v) Key management personnel compensation in total. [33.7].

The following principal accounting policies have been applied:

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

2. Accounting policies (continued)

2.2 Going concern

The Company which forms part of the group headed by AGI Holdings LLC (the "group") meets its day-to-day working capital requirements through cash on hand and its own and group's bank facilities. The Company's forecast and projections, taking account of reasonably possible changes in trading performance show that the Company should be able to operate within the level of its own and group current facilities.

The Company is reliant upon the group's term loans and revolving credit facilities which are due to expire on 30 June 2022, and no refinancing has been agreed at this point. Whilst the Directors have received confirmation from the ultimate parent company that it intends to support the Company for a period of 12 months from the signing of the financial statements, this does not constitute a legally binding commitment. In the event no refinancing is agreed, the group and Company, under joint guarantee, would be unable to repay the loans falling due on 30 June 2022, without the support of the ultimate parent company. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Notwithstanding the above matters, in the view of the Directors, it is expected that the group will be able to refinance these borrowings on comparable terms based on the current assessment of future cash flows, and availability of debt in the market, and as such provide the Company access to these facilities. As a result, the financial statements have continued to be prepared on a basis of going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

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 2021**

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 2021**

2. Accounting policies (continued)

2.5 Other operating income

Other operating income consists of royalty income, consulting income and research and development tax credits. Royalty income is recognised on a quarterly basis and is calculated as a percentage of relevant product sales value. Consulting income consists of services provided to customers on an adhoc basis as a percentage of relevant product sales value. Research and development tax credit income is recognised annually as a percentage of spend.

2.6 Leased assets

Rentals paid under operating leases are charged to the Statement of Comprehensive Income 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.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

2. Accounting policies (continued)

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 where the charge attributable to an item of income or expense is recognised as other comprehensive income or directly in equity, whereby it 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.

2.10 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Development expenditure	-	3 years
Computer software	-	3 years

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.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

2. Accounting policies (continued)

2.11 Tangible assets

Tangible 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.

2.12 Stocks

Stocks (or inventories) 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.

2.13 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 utilised against the provision carried in the Statement of Financial Position.

2.14 Accrued and deferred income

The excess of payments received and receivable, over amounts recorded as revenue, is recorded as deferred income 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 2021**

2. Accounting policies (continued)

2.15 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 and other receivables are amounts due 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 2021**

2. Accounting policies (continued)

2.15 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.

2.16 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.

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 15 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.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

3. Judgments in applying accounting policies (continued)**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.

4. Turnover

An analysis of turnover by class of business is as follows:

	2021 £000	2020 £000
Sales of goods	13,522	16,374
Construction contracts	1,202	2,558
Rendering of services	692	617
	<u>15,416</u>	<u>19,549</u>

Analysis of turnover by country of destination:

	2021 £000	2020 £000
United Kingdom	3,210	4,135
USA	6,313	8,366
Rest of world	5,893	7,048
	<u>15,416</u>	<u>19,549</u>

5. Other operating income

	2021 £000	2020 £000
Royalty receivable	139	93
Consulting income	48	454
Research & development tax credits	27	-
	<u>214</u>	<u>547</u>

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

6. Operating profit

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

	2021 £000	2020 £000
Research & développement charged as an expense	96	368
Depreciation of owned assets	118	83
Intangible assets amortisation	42	-
Exchange loss/(gains)	280	(280)
Other operating lease rentals	60	54
Operating lease rentals - land and buildings	182	182
Impairment of trade receivables	137	28
Inventory recognised as an expense	4,357	5,590
Loss on disposal of intangible assets	1	-
Loss on disposal of tangible assets	8	-
	<u>8</u>	<u>-</u>

7. Auditors' remuneration

	2021 £000	2020 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	46	40
	<u>46</u>	<u>40</u>

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

Tax advisory services	-	5
All other services	5	5
	<u>5</u>	<u>10</u>

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

8. Employees

Staff costs were as follows:

	2021 £000	2020 £000
Wages and salaries	6,014	5,684
Social security costs	509	574
Other pension costs	215	202
	<u>6,738</u>	<u>6,460</u>

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

	2021 No.	2020 No.
Manufacturing	78	70
Sales, administration and distribution	64	74
	<u>142</u>	<u>144</u>

9. Directors' remuneration

All directors are remunerated by other group companies. £171,109 (2020: £86,383) was recharged to the Company in the year in respect of their costs.

10. Interest receivable and similar income

	2021 £000	2020 £000
Gains on derivative instruments	306	10
Interest receivable	117	-
	<u>423</u>	<u>10</u>

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

11. Interest payable and similar expenses

	2021 £000	2020 £000
Other interest	20	4
Losses on derivative instruments	270	45
Other financing costs	10	-
	<u>300</u>	<u>49</u>

12. Tax on profit

	2021 £000	2020 £000
Corporation tax		
Adjustments in respect of previous periods	23	(129)
	<u>23</u>	<u>(129)</u>
Total current tax	<u>23</u>	<u>(129)</u>
Deferred tax		
Origination and reversal of timing differences	84	48
Changes to tax rates	-	4
	<u>84</u>	<u>52</u>
Total deferred tax	<u>84</u>	<u>52</u>
Taxation on profit on ordinary activities	<u>107</u>	<u>(77)</u>

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

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

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £000	2020 £000
Profit before tax	2,106	3,777
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	400	718
Effects of:		
Expenses not deductible for tax purposes	4	2
Adjustments to tax charge in respect of prior periods	23	(129)
Non-taxable income	(3)	7
Group relief received for nil consideration	(317)	(675)
Total tax charge/(credit) for the year	107	(77)

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.

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 which is after the Statement of Financial Position date and therefore the effects of the rate change are not included in these financial statements. However, it is likely that the overall effect of the change will be to increase the deferred tax liability of the Company by £53,000.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

13. Intangible assets

	Development expenditure £000	Computer software £000	Total £000
Cost			
At 1 April 2020	-	108	108
Additions	62	152	214
Disposals	-	(4)	(4)
At 31 March 2021	62	256	318
Accumulated Amortisation			
At 1 April 2020	-	25	25
Charge for the year on owned assets	3	39	42
Disposals	-	(3)	(3)
At 31 March 2021	3	61	64
Net book value			
At 31 March 2021	59	195	254
At 31 March 2020	-	83	83

During the year we have reclassified £195,000 (2020: £83,000) of assets from 'Computer Equipment' within Tangible Assets (note 14) to 'Computer Software' within Intangible Assets (note 13), to better reflect the nature of those assets.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

14. Tangible assets

	Leasehold improvements £000	Plant and machinery £000	Fixtures, fittings and tooling £000	Computer equipment £000	Total £000
Cost					
At 1 April 2020	693	490	321	552	2,056
Additions	101	236	67	64	468
Disposals	-	(9)	(5)	(24)	(38)
At 31 March 2021	794	717	383	592	2,486
Accumulated Depreciation					
At 1 April 2020	621	375	282	360	1,638
Charge for the year on owned assets	21	18	7	72	118
Disposals	-	(9)	(5)	(16)	(30)
At 31 March 2021	642	384	284	416	1,726
Net book value					
At 31 March 2021	152	333	99	176	760
At 31 March 2020	72	115	39	192	418

During the year we have reclassified £195,000 (2020: £83,000) of assets from 'Computer Equipment' within Tangible Assets (note 14) to 'Computer Software' within Intangible Assets (note 13), to better reflect the nature of those assets.

15. Stocks

	2021 £000	2020 £000
Raw materials and consumables	1,753	1,526
Work in progress	1,392	1,044
	<u>3,145</u>	<u>2,570</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 £1,034,000 (2020: £821,000).

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

16. Debtors

	2021 £000	2020 £000
Trade debtors	3,730	5,326
Amounts owed by group undertakings	21,461	17,608
Other debtors	147	117
Prepayments and accrued income	1,247	1,837
Corporation tax	189	433
Derivative financial instruments	14	3
	<u>26,788</u>	<u>25,324</u>

Trade debtors are stated after provisions for impairment of £88,000 (2020: £28,000).

Amounts owed by group undertakings are unsecured and repayable on demand. Interest has been charged on \$1,645,000 (2020: \$nil) at 6.5144% and £2,890,000 (2020: £nil) at 6.5144%. All other amounts owed by group undertakings are interest free.

17. Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	2,300	1,946
Amounts owed to group undertakings	2,308	2,037
Other taxation and social security	176	162
Accruals and deferred income	1,231	1,757
Derivative financial instruments	-	24
	<u>6,015</u>	<u>5,926</u>

Amounts owed to group undertakings are unsecured and repayable on demand. Interest has been charged on \$1,650,000 (2020: \$nil) at 6.5144%. All other amounts owed to group undertakings are interest free.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

18. Financial instruments

	2021 £000	2020 £000
Financial assets that are measured at amortised cost		
Trade debtors	3,730	5,326
Amounts owed by group companies	21,461	17,608
Other debtors	147	117
Accrued income	972	1,649
	<hr/> 26,310	<hr/> 24,700
Financial assets measured at fair value through profit or loss		
Derivative financial instruments	14	3
	<hr/> 26,324	<hr/> 24,703
	<hr/> <hr/>	<hr/> <hr/>
Financial liabilities measured at amortised cost		
Trade creditors	2,300	1,946
Amounts owed to group companies	2,308	2,037
Accruals	846	1,187
	<hr/> 5,454	<hr/> 5,170
Financial liabilities measured at fair value through profit or loss		
Derivative financial instruments	-	24
	<hr/> 5,454	<hr/> 5,194
	<hr/> <hr/>	<hr/> <hr/>

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

19. Deferred taxation

	2021 £000
At beginning of year	(83)
Charged to Statement of Comprehensive Income	(84)
At end of year	(167)

The provision for deferred taxation is made up as follows:

	2021 £000	2020 £000
Accelerated capital allowances	(167)	(83)
	(167)	(83)

Deferred tax arises from timing differences that are differences between taxable profits and accounting profits. There are no unused tax losses or unused tax credits.

20. Provisions

	Warranty provision £000
At 1 April 2020	952
Charged to profit or loss	483
Released in year	(414)
Utilised in year	(423)
At 31 March 2021	598

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.

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

21. Called up share capital

	2021	2020
	£000	£000
Authorised, allotted, called up and fully paid		
928,489 (2020 - 928,489) Ordinary shares of £1 each	928	928

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

22. 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 £710,000 at 31 March 2021 (2020: £711,000).

The Company has indemnified BNP Paribas in connection with a duty deferment guarantee in favour of HM Revenue & Customs in the sum of £440,000 (2020: £340,000).

At the year end date the Company had guaranteed or had joint and several liability for drawn AGI Holdings LLC bank facilities of £40,836,000 (2020: £54,881,000) provided to certain group companies.

23. 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 £215,000 (2020: £202,000). The unpaid contributions outstanding at the year end are £nil (2020: £nil).

24. Commitments under operating leases

At 31 March 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021	2020
	£000	£000
Not later than 1 year	236	227
Later than 1 year and not later than 5 years	767	800
Later than 5 years	76	257
	1,079	1,284

There were no capital commitments outstanding at the reporting date (2020: £nil).

AERONAUTICAL & GENERAL INSTRUMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

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 £442,000 (2020: £427,000). At the end of the year £244,000 (2020: £nil) 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. Post balance sheet events

On 15 April 2021 the Company signed an unsecured facility of £300,000 with HSBC.

27. Ultimate parent undertaking

The Company's immediate parent undertaking at 31 March 2021 is Aeronautical & GI Holdings Limited, a company incorporated in England and Wales. The ultimate parent company is AGI 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 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