

Company registration number 00900323 (England and Wales)

ARROWSMITH ENGINEERING (COVENTRY) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

ARROWSMITH ENGINEERING (COVENTRY) LIMITED

COMPANY INFORMATION

Directors Mr W R J Rawkins
Mr S C Weston
Mr J D Aldridge
Apadana Mangement Limited

Company number 00900323

Registered office 50 Bayton Road
Exhall
Coventry
United Kingdom
CV7 9EJ

Auditor Azets Audit Services
Alpha House
4 Greek Street
Stockport
United Kingdom
SK3 8AB

ARROWSMITH ENGINEERING (COVENTRY) LIMITED

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ARROWSMITH ENGINEERING (COVENTRY) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present the strategic report for the year ended 31 March 2023.

Review of the business

The principal activity of the company was that of the manufacture of precision engineered aerospace components.

The directors are pleased with the profit achieved on ordinary activities for the year and the state of affairs at the balance sheet date. This profit has been generated on the back of the Company's continued focus on customer service and maintaining high standards of quality and delivery.

The Board were pleased to see a significant increase in the Long Haul Aero Engine industry as Airlines and tour operators regained confidence and sales. This has resulted in a large uplift in sales to Arrowsmith as production of Aero Engines increased.

Turnover increased by 46.6% in the year to £7.70m (2022: £5.25m) and a gross profit margin of 39.9% was achieved (2022: 40.7%). The company generated a profit before tax of £857,693 (2022: £288,195). This was in line with management's expectations for the year; the increase arising due to the recovery witnessed in the aerospace industry. This recovery began at the start of the calendar year, 2022, with a strong financial performance continuing in the next financial period.

The balance sheet remains strong with net assets of £4,407,011 (2022: £3,409,200) and current assets (inclusive of intercompany balances) of £7,065,167 (2022: £6,695,056) which are 2.25 times (2022: 1.80 times) larger than current liabilities.

Overall the 2023 financial year was a successful one but one in which the company returned to Pre Covid levels.

Given the nature of the business, the Company's directors are of the opinion that analysis using KPI's, other than those which emerge from the financial statements and discussed in the business review above, are not necessary for an understanding of the Company.

Principal risks and uncertainties

The Company uses financial instruments including cash, a bank overdraft and other items including trade debtors and trade creditors that arise directly from its operations. The existence of these financial instruments exposes the Group to a number of financial risks, which are described in further detail below.

Liquidity Risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably.

Interest Rate Risk

The Company does have 3rd party borrowings primarily in relation to the monies provided by Realta Investments DAC Limited.

Credit Risk

The Company's principal financial assets are cash deposits, cash and trade debtors. The credit risk associated with cash is limited. The principal credit risk therefore lies with trade debtors. In order to manage the credit risk, the directors actively review payment history and debtor performance and in certain instances ensure that insured credit limits are put in place and actively managed.

Currency Risk

The Company is exposed to transaction foreign currency risk trading and holding in Sterling, Euros and US Dollars. In order to mitigate the risk, the Board of Directors naturally focus on managing receipts and payments in currencies to minimise any significant foreign exchange losses.

Supply Chain Risk

The Company's products and services are delivered through the effective operation of its facilities and key capabilities, including its supply chain. While the Company's strategy is to improve integration and simplify the internal and external elements of its supply chain by building long-term strategic links with fewer, stronger suppliers, it remains at risk of disruption. The Board of Directors have applied an increased focus to understanding and addressing sources of risk arising in the external supply chain, particularly those associated with financial instability.

ARROWSMITH ENGINEERING (COVENTRY) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Other information and explanations

The directors of the Company, as those of all UK companies, must act in accordance with a set of general duties.

These duties are detailed in section 172 of the UK Companies Act 2006, summarised as follows:

"A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the company"

The following paragraphs summarise how the directors fulfil their duties:

The board of directors and shareholders and investors meet regularly to discuss strategy and objectives and the board report regularly on the progress against the key objectives. The board's intention is to behave responsibly and ensure that management operate the business in a responsible manner and portray responsible behaviours which the employees then reflect. The board of directors also review the principal risks and uncertainties affecting the business on a regular basis.

Our employees are fundamental to the delivery of the company's goals. The company has a structure through which it engages with its employees, with directors of the individual trading businesses liaise between employees and the board regularly. This works effectively since the number of employees at each business is small enough for there to be a high degree of visibility by the directors who are then able to provide the two way dialogue with the board. Employees behaviour and performance is monitored and addressed where any such behaviour is not deemed to be in line with the values of the company.

Our aim is to provide the "best in class" service to our customers, it is therefore important to develop and maintain strong client relationships. We have ongoing contracts with our key suppliers and key customers. The strength of these supplier and customer relationships has been shown throughout the Covid-19 pandemic and the regular communications with customers and suppliers have been crucial in ensuring that the businesses objectives are met.

On behalf of the board

Mr J D Aldridge
Director

20 December 2023

ARROWSMITH ENGINEERING (COVENTRY) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present their annual report and financial statements for the year ended 31 March 2023.

Principal activities

The principal activity of the company continued to be that of the manufacture of precision engineered aerospace components.

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

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

Mr W R J Rawkins
Mr S C Weston
Mr J D Aldridge
Apadana Mangement Limited

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.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect fair review of business, principal risks and uncertainties, future developments.

ARROWSMITH ENGINEERING (COVENTRY) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mr J D Aldridge
Director

20 December 2023

ARROWSMITH ENGINEERING (COVENTRY) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ARROWSMITH ENGINEERING (COVENTRY) LIMITED

Opinion

We have audited the financial statements of Arrowsmith Engineering (Coventry) Limited (the 'company') for the year ended 31 March 2023 which comprise the statement of income and retained earnings, the balance sheet 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 March 2023 and of its profit for the year 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 year 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.

ARROWSMITH ENGINEERING (COVENTRY) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ARROWSMITH ENGINEERING (COVENTRY) 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.

ARROWSMITH ENGINEERING (COVENTRY) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ARROWSMITH ENGINEERING (COVENTRY) 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.

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.

Helen Davies
Senior Statutory Auditor
For and on behalf of Azets Audit Services

20 December 2023

Chartered Accountants
Statutory Auditor

Alpha House
4 Greek Street
Stockport
United Kingdom
SK3 8AB

ARROWSMITH ENGINEERING (COVENTRY) LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	2022 £
Turnover	3	7,695,197	5,248,321
Cost of sales		(4,623,198)	(3,111,813)
Gross profit		3,071,999	2,136,508
Administrative expenses		(1,958,491)	(1,949,000)
Other operating income		26,961	266,891
Exceptional item	4	(89,463)	(44,372)
Operating profit	7	1,051,006	410,027
Interest payable and similar expenses	8	(193,313)	(121,832)
Profit before taxation		857,693	288,195
Tax on profit	9	140,118	(27,778)
Profit for the financial year		997,811	260,417
Retained earnings brought forward		3,409,100	3,148,683
Retained earnings carried forward		4,406,911	3,409,100

The profit and loss account has been prepared on the basis that all operations are continuing operations.

ARROWSMITH ENGINEERING (COVENTRY) LIMITED

BALANCE SHEET

AS AT 31 MARCH 2023

		2023		2022	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	10		1,187,061		1,284,886
Investments	11		14,079		14,079
			<u>1,201,140</u>		<u>1,298,965</u>
Current assets					
Stocks	13	1,957,401		1,597,479	
Debtors	14	4,749,455		4,798,446	
Cash at bank and in hand		358,311		299,131	
		<u>7,065,167</u>		<u>6,695,056</u>	
Creditors: amounts falling due within one year	15	(3,143,061)		(3,714,917)	
Net current assets			<u>3,922,106</u>		<u>2,980,139</u>
Total assets less current liabilities			<u>5,123,246</u>		<u>4,279,104</u>
Creditors: amounts falling due after more than one year	16		(619,398)		(733,923)
Provisions for liabilities					
Deferred tax liability	18	96,837		135,981	
		<u>(96,837)</u>		<u>(135,981)</u>	
Net assets			<u><u>4,407,011</u></u>		<u><u>3,409,200</u></u>
Capital and reserves					
Called up share capital	20		100		100
Profit and loss reserves			<u>4,406,911</u>		<u>3,409,100</u>
Total equity			<u><u>4,407,011</u></u>		<u><u>3,409,200</u></u>

The financial statements were approved by the board of directors and authorised for issue on 20 December 2023 and are signed on its behalf by:

Mr W R J Rawkins
Director

Mr J D Aldridge
Director

Company Registration No. 00900323

ARROWSMITH ENGINEERING (COVENTRY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

Company information

Arrowsmith Engineering (Coventry) Limited is a private company limited by shares incorporated in England and Wales. The registered office is 50 Bayton Road, Exhall, Coventry, United Kingdom, CV7 9EJ.

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 £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

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 company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Arrowsmith Engineering (Coventry) Limited is a wholly owned subsidiary of Aero Services Global Group Limited and the results of Arrowsmith Engineering (Coventry) Limited are included in the consolidated financial statements of Aero Services Global Group Limited which are available from its registered office, 1 Marsden Street, c/o A2e Industries Limited, Manchester, M2 1HW.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

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

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

ARROWSMITH ENGINEERING (COVENTRY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	Unexpired Term of Lease
Plant and equipment	10% Straight Line
Fixtures and fittings	10% Straight Line
Computers	10% to 20% 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.

1.5 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

1.7 Stocks

Stock and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost is calculated using the first-in, first-out method and includes all purchase, transport, and handling costs in bringing stocks to their present location and condition. Work in progress include labour and attributable overheads and finished goods are valued at sales price less margin.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand and deposits held at call with banks.

ARROWSMITH ENGINEERING (COVENTRY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.9 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.

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.

ARROWSMITH ENGINEERING (COVENTRY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and loans from fellow group companies 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.

Derecognition of financial liabilities

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

1.10 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Research and development

Expenditure on research and development is written on in the year in which it is incurred.

ARROWSMITH ENGINEERING (COVENTRY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.11 Employee benefits

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

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

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

1.13 Leases

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

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

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

1.14 Government grants

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

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

1.15 Foreign exchange

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

1.16 Exceptional items

Exceptional items are unusual or non-recurring in nature and are recognised as incurred.

ARROWSMITH ENGINEERING (COVENTRY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

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.

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 provision

The company makes an estimate of the recoverable value of stocks. When assessing impairment of stocks, management considers factors including the current aging of the stocks held and the budgeted sales volumes in the next 12 months of certain products.

WIP valuation

WIP is calculated using a rate to absorb the amount of labour used.

Management's experience of their product lines is essential to determine the amount of labour absorbed and thus the value of WIP.

3 Turnover and other revenue

	2023	2022
	£	£
Turnover analysed by geographical market		
United Kingdom	4,895,769	3,858,714
Rest of the World	2,799,428	1,389,607
	<u>7,695,197</u>	<u>5,248,321</u>
	2023	2022
	£	£
Other revenue		
Grants received	-	244,793
	<u>-</u>	<u>244,793</u>

4 Exceptional item

	2023	2022
	£	£
Expenditure		
Exceptional Costs	89,463	44,372
	<u>89,463</u>	<u>44,372</u>

ARROWSMITH ENGINEERING (COVENTRY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

5 Employees

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

	2023 Number	2022 Number
Production	42	44
Office and management	14	15
Total	56	59

Their aggregate remuneration comprised:

	2023 £	2022 £
Wages and salaries	2,099,469	1,919,286
Social security costs	230,571	193,917
Pension costs	62,660	58,319
	2,392,700	2,171,522

6 Directors' remuneration

	2023 £	2022 £
Remuneration for qualifying services	169,018	119,504
Company pension contributions to defined contribution schemes	12,088	7,288
	181,106	126,792

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2022 - 1).

7 Operating profit

	2023 £	2022 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	658	226
Government grants	-	(244,793)
Fees payable to the company's auditor for the audit of the company's financial statements	20,000	11,000
Depreciation of owned tangible fixed assets	82,173	184,922
Depreciation of tangible fixed assets held under finance leases	132,834	-
Operating lease charges	70,409	62,644

ARROWSMITH ENGINEERING (COVENTRY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

8 Interest payable and similar expenses

	2023	2022
	£	£
Interest on bank overdrafts and loans	1,020	1,896
Interest on invoice finance arrangements	149,945	89,029
Interest on finance leases and hire purchase contracts	42,348	30,907
	<u>193,313</u>	<u>121,832</u>

9 Taxation

	2023	2022
	£	£
Deferred tax		
Origination and reversal of timing differences	(39,144)	27,778
Adjustment in respect of prior periods	(100,974)	-
	<u>(140,118)</u>	<u>27,778</u>

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

	2023	2022
	£	£
Profit before taxation	<u>857,693</u>	<u>288,195</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	162,962	54,757
Tax effect of expenses that are not deductible in determining taxable profit	14,889	7,143
Tax effect of income not taxable in determining taxable profit	-	(9,484)
Adjustments in respect of prior years	(100,974)	32,205
Effect of change in corporation tax rate	-	32,636
Group relief	(205,866)	(89,479)
Fixed asset differences	(1,735)	-
Remeasurement of deferred tax for changes in tax rate	(9,394)	-
	<u>(140,118)</u>	<u>27,778</u>

ARROWSMITH ENGINEERING (COVENTRY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

10 Tangible fixed assets

	Leasehold land and buildings	Plant and equipment	Fixtures and fittings	Computers	Total
	£	£	£	£	£
Cost					
At 1 April 2022	180,637	2,670,164	102,129	91,286	3,044,216
Additions	-	114,434	2,748	-	117,182
At 31 March 2023	180,637	2,784,598	104,877	91,286	3,161,398
Depreciation and impairment					
At 1 April 2022	61,496	1,559,453	78,488	59,893	1,759,330
Depreciation charged in the year	12,349	185,028	5,976	11,654	215,007
At 31 March 2023	73,845	1,744,481	84,464	71,547	1,974,337
Carrying amount					
At 31 March 2023	106,792	1,040,117	20,413	19,739	1,187,061
At 31 March 2022	119,141	1,110,711	23,641	31,393	1,284,886

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2023 £	2022 £
Plant and equipment	817,673	866,507

11 Fixed asset investments

	Notes	2023 £	2022 £
Investments in subsidiaries	12	14,079	14,079

12 Subsidiaries

Details of the company's subsidiaries at 31 March 2023 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Exhall Grinding and Engineering Company Limited	50 Bayton Road, Exhall, Coventry, West Midlands, CV7 9DW	Ordinary	100.00

ARROWSMITH ENGINEERING (COVENTRY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

13 Stocks

	2023 £	2022 £
Raw materials and consumables	680,372	376,749
Work in progress	363,896	305,878
Finished goods and goods for resale	913,133	914,852
	<u>1,957,401</u>	<u>1,597,479</u>

14 Debtors

	2023 £	2022 £
Amounts falling due within one year:		
Trade debtors	2,485,836	2,104,953
Amounts owed by group undertakings	2,116,430	2,431,011
Other debtors	132,484	190,629
Prepayments and accrued income	14,705	71,853
	<u>4,749,455</u>	<u>4,798,446</u>

15 Creditors: amounts falling due within one year

	Notes	2023 £	2022 £
Obligations under finance leases	17	200,080	184,728
Invoice discounting		1,780,037	1,405,764
Trade creditors		840,733	771,595
Amounts owed to group undertakings		98,296	1,172,751
Taxation and social security		90,578	49,892
Government grants		26,284	23,543
Other creditors		26,210	13,771
Accruals and deferred income		80,843	92,873
		<u>3,143,061</u>	<u>3,714,917</u>

Obligations under finance lease are secured against the assets to which they relate to.

The invoice discounting facility is secured by a fixed and floating charge over the entity's assets.

Amounts owed to group undertakings are repayable on demand and non-interest bearing.

ARROWSMITH ENGINEERING (COVENTRY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

16 Creditors: amounts falling due after more than one year

	Notes	2023 £	2022 £
Obligations under finance leases	17	493,627	623,064
Government grants		125,771	110,859
		<u>619,398</u>	<u>733,923</u>

Obligations under finance lease are secured against the assets to which they relate to.

17 Finance lease obligations

	2023 £	2022 £
Future minimum lease payments due under finance leases:		
Within one year	200,080	184,728
In two to five years	493,627	623,064
	<u>693,707</u>	<u>807,792</u>

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

18 Deferred taxation

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

	Liabilities 2023 £	Liabilities 2022 £
Balances:		
Fixed asset timing differences	<u>96,837</u>	<u>135,981</u>
Movements in the year:		2023 £
Liability at 1 April 2022		135,981
Credit to profit or loss		(39,144)
Liability at 31 March 2023		<u>96,837</u>

ARROWSMITH ENGINEERING (COVENTRY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

19 Retirement benefit schemes

	2023	2022
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	62,660	58,319

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.

20 Share capital

	2023	2022	2023	2022
Ordinary share capital	Number	Number	£	£
Issued and fully paid				
Ordinary shares of £1 each	100	100	100	100

21 Financial commitments, guarantees and contingent liabilities

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

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

22 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:

	2023	2022
	£	£
Within one year	109,339	79,487
Between two and five years	277,443	264,258
In over five years	555	-
	387,337	343,745

23 Related party transactions

Transactions with related parties

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

ARROWSMITH ENGINEERING (COVENTRY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

23 Related party transactions

(Continued)

	Rental of premises 2023 £	Rental of premises 2022 £
Entities with control, joint control or significant influence over the company	65,000	58,000
	<u>2023</u>	<u>2022</u>
	£	£
Amounts due to related parties		
Other related parties	16,250	-
	<u>2023</u>	<u>2022</u>
	£	£
The following amounts were outstanding at the reporting end date:		
	<u>2023</u>	<u>2022</u>
	£	£
Amounts due from related parties		
Other related parties	132,379	132,379
	<u>2023</u>	<u>2022</u>

Other information

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

24 Ultimate controlling party

The company's immediate parent company is A B Engineering Limited. The ultimate parent company of Arrowsmith Engineering (Coventry) Limited is Pasargad 1 Limited.

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

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

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