

ACCURA ENGINEERING LIMITED

UNAUDITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

INFORMATION FOR FILING WITH THE REGISTRAR

FOR THE YEAR ENDED 30 JUNE 2022



ACCURA ENGINEERING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2022

The directors present their strategic report on the company for the year ended 30 June 2022:

Overview

The business has been impacted by challenging trading headwinds, including a reduced aerospace orderbook resulting from the Coronavirus pandemic, increased material costs and disruption to the global supply chain. These factors resulted in a loss for the year of £202k, however based on the present business performance, the Directors are confident that the business will return to strong profitability in 2022/23.

Performance

The pandemic-related global downturn in the aerospace sector resulted in a significant drop in sales of products for commercial aircraft from 2020 onwards. As a key supplier of heat exchanger components on various platforms including Airbus aircraft, Accura Engineering continued to be impacted in 2021/22 as the global supply chains struggled to restart. This resulted in aerospace sales in 2021/22 being 9% lower than pre-pandemic levels, dropping to £4.1M and significantly impacting overall sales. However, the business is now seeing strong recovery within the aerospace market, with a current run-rate for the Aerospace division of £6.5M. Accura Engineering's Tier 1 customers are forecasting a rapid return to pre-pandemic levels which have flowed down from Airbus' forecasts, with a further 20% uplift on key product lines over the next 18 months. Accura Engineering is well placed to meet this increase in run-rate as we have previously ramped up to meet these levels.

During the period, we have worked closely with our customer, Ineos Electrochemical Solutions, to expand the manufacturing facility that we operate in partnership with them, producing state-of-the-art chlorine electrolyser equipment. In addition to the existing mesh manufacturing line, Accura Engineering now also deliver Ineos' mesh refurbishment facility enabling the repair of meshes from electrolyser plants around the world. During the period, Accura Engineering has installed and commissioned this highly automated facility, the benefits of which will be realised in 2022/23. Ineos have subsequently committed to a new 5-year manufacturing agreement, signed in November 2022, for the operation of this facility which is expected to grow sales strongly. This long-term commitment will enable us to invest further in people and processes and demonstrates the level of manufacturing excellence within the Black Country.

Supply Chain Challenges

Supply chain disruption, particularly in the supply of premium grade aerospace materials has continued to impact trading in 2021/22. Global material shortages of specialist materials have had a significant effect on our ability to service our customers' demand, requiring constant orderbook and supplier management. Rising raw material costs and distribution costs have also required proactive management, with close engagement with key customers to prevent excessive stock and arrears.

Future Developments

With the Coronavirus pandemic behind us, Accura Engineering has been focussed on building its orderbook with new and existing customers, including exciting projects in disruptive markets. The business has invested significantly in the New Business Development function, to seek and develop new accounts that strategically align with our capabilities. With a dedicated Business Development team, Accura Engineering employ a multi-channel marketing strategy to target potential customers. This approach has directly led to valuable new customers in the energy, industrial and motorsport markets who we are working with to deliver New Product Introduction (NPI) projects, securing long-term revenue streams.

ACCURA ENGINEERING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2022

Accura Engineering has proved hugely successful over the past five years at establishing itself as the "First Choice" for all its existing customers and in the delivery of mechanical engineering solutions and manufacturing technologies. Our diverse capabilities and deep technical expertise allow us to offer our customers a unique level of flexibility and responsiveness.

The wider Connexion Technologies group with unique mechanical, electronic manufacturing and supply chain capabilities has also recovered well with Group sales bouncing back to pre-pandemic levels, with consolidated sales of £35.8M in 2021/22.

Investment

Despite the downturn, Accura Engineering has continued to invest throughout 2021/22 in people, processes and facilities in anticipation of the returning orderbook that could see on the horizon. In addition to the £1.5M that has been jointly invested in the Ineos facility, we have invested in a new metrology room, providing a climate-controlled environment for our CMM equipment as well as industry-leading CAD/CAM software to facilitate offline programming. Our focus continues to be on investing in processes that differentiate Accura Engineering and provide a unique service for our customers. One of our key strengths is the diversity of processes that we have within our business, enabling us to provide a true turnkey service for customers looking for precision machining, tooling, fabrication or engineering design services. The business will further invest in additional CAPEX in 2022/23 to meet the growing demand for capacity and to offer enhanced technical solutions.

We have also continued to invest in the development of our employees, including apprenticeships and training to support their progression. This investment in developing new talent is critical to maintaining the technical expertise for which the company is known. We continue to invest in developing our business processes to deliver a best-in-class service for our customers in accordance with our AS9100 and ISO9001 accreditation. Accura Engineering is an active member of the Midlands Aerospace Alliance (MAA) through which it continues to support and build relationships with the aerospace supply chain in the Midlands and beyond.

Principal risks and uncertainties

The principal risks and uncertainties facing the company includes:

- Material shortages and price volatility
- Volatility of demand key customer markets
- Retention and recruitment of skilled engineering staff

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management.

Compliance with regulation, legal and ethical standards is a high priority for the company and each department head takes on an important oversight role in this regard.

Financial key performance indicators

The directors consider the Key Performance Indicators to be gross profit and profit before tax as disclosed in the Profit and Loss Account.

ACCURA ENGINEERING LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

The directors present their report and the financial statements for the year ended 30 June 2022.

Directors

The directors who served during the year were:

M Richards (resigned 8 April 2022)
C Wright
R Eldridge
N Hill (resigned 17 October 2022)

Other changes in directors holding office are as follows:

S Hallett-Jones was appointed a director after 30 June 2022 but prior to the date of this report.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 22 March 2023

and signed on its behalf.


C Wright
Director

ACCURA ENGINEERING LIMITED
REGISTERED NUMBER: 01442283

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible fixed assets	4	537,219	468,263
		<u>537,219</u>	<u>468,263</u>
Current assets			
Stocks	5	1,090,769	1,445,442
Debtors: amounts falling due within one year	6	3,251,834	3,798,975
Bank and cash balances		211,788	506,115
		<u>4,554,391</u>	<u>5,750,532</u>
Creditors: amounts falling due within one year	7	(2,873,755)	(3,382,553)
Net current assets		<u>1,680,636</u>	<u>2,367,979</u>
Total assets less current liabilities		<u>2,217,855</u>	<u>2,836,242</u>
Creditors: amounts falling due after more than one year	8	(346,739)	(313,337)
Net assets		<u><u>1,871,116</u></u>	<u><u>2,522,905</u></u>
Capital and reserves			
Called up share capital		20,000	20,000
Profit and loss account		1,851,116	2,502,905
		<u><u>1,871,116</u></u>	<u><u>2,522,905</u></u>

During the year the company paid a dividend of £450,000 (2021: £nil).

ACCURA ENGINEERING LIMITED
REGISTERED NUMBER: 01442283

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2022

The directors consider that the Company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the Company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

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

The Company has opted not to file the statement of income and retained earnings in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

23 March 2023


C Wright
Director

The notes on pages 6 to 11 form part of these financial statements.

ACCURA ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. General information

The company (registered number: 01442283) is a private company, limited by shares and registered in England and Wales. The registered office and trading address of the company is 1 Stringes Close, Willenhall, England, WV13 1NS.

Principal activity

The company is a specialist supplier of engineering consultancy, precision machining services and mechanical manufacturing to a portfolio of blue chip OEM customers.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Going concern

The company has significant cash headroom but also depends on its existing bank facilities to meet its day to day working capital requirements. Current forecasts indicate that the company expects to be able to operate within these facilities for whole of the foreseeable future. Accordingly, the directors believe it is appropriate to prepare the financial statements on the going concern basis.

2.3 Revenue

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 represents sales to external customers excluding discounts, rebates, value added tax and other sales taxes.

2.4 Operating leases: the Company as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.5 Hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of comprehensive income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

ACCURA ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2. Accounting policies (continued)

2.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in the Income Statement in the same period as the related expenditure.

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.8 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the period in which they are incurred.

2.9 Pensions

Defined contribution pension plan

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 in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.10 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Long-term leasehold property	- Straight line over 5 to 50 years
Plant and machinery	- Straight line over 5 to 7 years
Motor vehicles	- Straight line over 4 years
Fixtures and fittings	- Straight line over 3 to 7 years

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.

ACCURA ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2. Accounting policies (continued)

2.11 Stocks

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

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.12 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

2.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3. Employees

The average monthly number of employees, including directors, during the year was 86 (2021 - 88).

ACCURA ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

4. Tangible fixed assets

	Long-term leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost					
At 1 July 2021	201,712	3,705,871	55,731	203,442	4,166,756
Additions	44,957	70,228	68,003	40,096	223,284
Disposals	(2,639)	(874)	(19,000)	-	(22,513)
At 30 June 2022	<u>244,030</u>	<u>3,775,225</u>	<u>104,734</u>	<u>243,538</u>	<u>4,367,527</u>
Depreciation					
At 1 July 2021	115,366	3,330,108	55,731	197,288	3,698,493
Charge for the year	25,802	100,610	11,315	13,962	151,689
Disposals	-	(874)	(19,000)	-	(19,874)
At 30 June 2022	<u>141,168</u>	<u>3,429,844</u>	<u>48,046</u>	<u>211,250</u>	<u>3,830,308</u>
Net book value					
At 30 June 2022	<u>102,862</u>	<u>345,381</u>	<u>56,688</u>	<u>32,288</u>	<u>537,219</u>
At 30 June 2021	<u>86,346</u>	<u>375,763</u>	<u>-</u>	<u>6,154</u>	<u>468,263</u>

ACCURA ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

4. Tangible fixed assets (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2022 £	2021 £
Plant and machinery	96,043	93,668
Motor vehicles	56,687	-
	<u>152,730</u>	<u>93,668</u>

5. Stocks

	2022 £	2021 £
Raw materials and consumables	282,230	191,210
Work in progress (goods to be sold)	484,641	397,485
Finished goods and goods for resale	323,898	235,303
Long-term contract balances	-	621,444
	<u>1,090,769</u>	<u>1,445,442</u>

6. Debtors

	2022 £	2021 £
Trade debtors	1,371,047	1,622,554
Amounts owed by group undertakings	1,453,151	1,757,434
Other debtors	3,284	-
Prepayments and accrued income	225,052	219,687
Tax recoverable	128,578	128,578
Deferred taxation	70,722	70,722
	<u>3,251,834</u>	<u>3,798,975</u>

ACCURA ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

7. Creditors: Amounts falling due within one year

	2022 £	2021 £
Bank loans	275,758	166,667
Payments received on account	11,055	39,124
Trade creditors	803,532	960,448
Other taxation and social security	544,994	512,642
Obligations under finance lease and hire purchase contracts	46,123	41,156
Other creditors	810,351	379,677
Accruals and deferred income	381,942	1,282,839
	<u>2,873,755</u>	<u>3,382,553</u>

Bank loans are secured against fixed and floating charges over all assets, including fixed charges over Eligible P&M of Accura Engineering Limited, Connexion Precision Finance and Connexion Precision Technologies.

Amounts included in "Obligations under finance lease and hire purchase contracts" are secured on the assets to which those contracts relate.

8. Creditors: Amounts falling due after more than one year

	2022 £	2021 £
Bank loans	264,394	258,333
Net obligations under finance leases and hire purchase contracts	82,345	55,004
	<u>346,739</u>	<u>313,337</u>

Amounts included in "Obligations under finance lease and hire purchase contracts" are secured on the assets to which those contracts relate.

9. Controlling party

The company is a wholly owned subsidiary of Connexion Precision Finance Limited, a company registered in England and Wales. Their registered office is One Eleven, Edmund Street, Birmingham, B3 2HJ. The ultimate parent company is Connexion Precision Technologies Limited which owns 100% of the share capital in Connexion Precision Finance Limited. The results of the company are not included in any group accounts.