

Aeromet International Limited

Annual report and financial
statements

Registered number 1626585
For the year ended 31 December 2022



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Company strategic report

For the Year Ended 31st December 2022

Principal activities

The principal activities of the Company comprise the manufacture and supply of light alloy castings to the Aerospace, Defence and related markets. The Company has its operations in Worcester, Sittingbourne and Rochester.

The Company's sales increased by 11.8 % (2021 increased by 2.5%) but gross profit margin increased by £2.1m, which was a healthy improvement of 42.2%. The Company's GP for the year improved from 32.6% in 2021 to 41.5% in the current year.

The year has started to witness the recovery of the Aerospace sector, after the shock from Covid-19 in 2020. This, coupled with the variety of measures implemented by Aeromet during Covid-19 have helped the business in drawing operating efficiencies and increasing margins. During 2022, the business witnessed an unprecedented increase in supply chain costs, driven by energy price increases as a result of the war in Ukraine. The business has however successfully worked with its customers in managing these costs via a variety of measures. The previously implemented restructuring measures played a key role in enabling the business towards dealing with these substantial market driven cost increases. Given the continued positive progress made over the course of the year, the Directors remain confident in Aeromet's ability to generate long-term growth for the business.

The finance facilities operated successfully and to terms during the year. The business proactively managed its working capital with significant improvement in its creditors, including overdue creditors. These actions have helped driving further improvements in operational flexibility within the business.

Business review

As a result of the Company's restructured cost base, improving market conditions and specific commercial interventions, gross profit increased for the year ending 31st December 2022. Improved profitability reduced the rate of cash consumption from operations which in turn allowed the Company to invest in specific growth-related activities to support the return to a more buoyant demand for commercial aerospace components over the medium term.

The Company's Worcester and Sittingbourne facilities continued to support a number of new program activities across a range of aerospace programs including B737 Max, B777X, LEAP, Trent 1000 and finalised the development of a large main gearbox casting for a new single-engine helicopter programme. The cost to support these programs has been fully expensed in the period. In addition to the permanent headcount to support this activity, significant

Company strategic report *(continued)*

Principal risks and uncertainties

The Company strives to provide more added-value products and services to its customers through taking on complex engineering challenges, providing prompt response times in the supply of products and services, ensuring efficient handling of customer queries, the maintenance of strong relationships with customers and a focus on creating new business. The Directors believe there is still scope to increase the Company's share of the worldwide light alloy casting market.

The Company sells products into international markets and is therefore exposed to currency movements on such sales. Where appropriate the Company manages this risk with forward exchange contracts for the majority of its exposure.

The Company's customers are worldwide and subject to growth and recession from world economies which exposes the Company to the risk of slow or non-payment. The Company insures its debtor balances to mitigate this risk.

The impact of significant inflation in the cost of utilities and related exceptional increases in the costs of aluminium casting ingot material and key production consumables is being mitigated through close collaboration with our customers, adapting existing commercial arrangements where necessary.

The business witnessed significant inflation in the cost of utilities and related exceptional increases in the cost of aluminium casting ingot material and key production consumables. The business was however successful in mitigating these costs through close collaboration with our customers. In doing so, the business has established a framework of dealing with such hyper-inflationary costs, adapting existing commercial arrangements where necessary. Going forward, the business has hedged its electricity for the first half of 2023 and is already working to hedge further periods, under improved market conditions. The business has also hedged its gas exposure for all of 2023, again under improved market conditions. Additionally, the measures applied in 2022 will formulate the basis for dealing with similar cost pressures in an established and acceptable mechanism.

The Company's supply chain extends to a number of sub-contract providers who provide a variety of services including Non Destructive Testing (NDT), finishing and other operations. The increasing cost base has been putting pressure on the Company's sub-contract supply chain element, which the business has been managing via price contracts and where possible by a mix of multiple service providers. In addition to this, business is also working towards building supply chain risk mitigation strategies by alternate sourcing strategies.

The Company trades on a global basis under long term agreements with customers who would have prohibitive costs and time frames to move part manufacture to a non-UK supply. Following discussions with customers the Directors do not foresee any changes in the customers current sourcing of parts from the company.

Financial instruments

The Company's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, foreign currency exchange rates, credit risk and liquidity risk.

The Company's principal financial instruments comprise cash and bank deposits, lending against its asset-based facility, group loans and obligations under finance leases together with trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the Company's financial instruments can be analysed as follows:

Foreign currency risk

The Company is exposed in its trading operations to the risk of changes in foreign currency exchange rates. The Company buys and sells goods worldwide and operates overseas primarily in US Dollar. The Company continues to monitor the position and as its exposure rises with any change in mix of sales and purchases it will take any actions necessary to protect its position.

The Company seeks to minimise the effects of these risks by using derivative financial instruments to reduce these risk exposures. The Company does not enter or trade in financial instruments, including derivative financial instruments, for speculative purposes. Whilst the Company entered forward currency contracts during the year

Company strategic report (continued)

Principal risks and uncertainties (continued)

to mitigate foreign currency risk, it does not apply hedge accounting. There have been no significant changes in types of risk from the prior year.

Credit risk

The Company's principal financial assets are bank balances, cash, and trade debtors, which represent the Company's maximum exposure to credit risk in relation to financial assets.

Credit risk is managed by insuring its debts. The business has a dedicated credit controller with an active management of Company's exposure towards each customer against approved credit limits. There have been no significant bad debts during the year. The Company's management remain confident about the recoverability of its debts. Any disputes or claims are actively addressed, thereby leaving a strong debtor book.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. With a blue chip customer base covering air frame and engine manufacturer as well leading Tier 1 customers, the Company's current credit exposure is not significantly different to what is currently prevailing across the industry. The Company's active credit control procedures limits this further with robust monitoring and controls.

Liquidity risk

The Company has a strong headroom position and its current ABL facilities are in place till April 2024, after which the Company intends to Refinance these under more favourable terms, owing to continued. Going forward, the Company plans to further access existing borrowing facilities that are collateralised against its plant & machinery as well as to acquire certain fixed assets under finance lease arrangements.

The Company has a Shareholder loan from Aeromet Holdings Limited, its Parent Company, whose ultimate controlling entity is Privet Capital Special Situations 1 LP (Privet). The Directors have received a letter of support, indicating Privet's intention not to seek repayment of these amounts for at least the earlier of 12 months from the date of signing the Financial Statements or until such time that the Company and its subsidiary undertakings are able to meet their liabilities to third parties as they fall due after repayment of the loan.

Cash flow interest rate risk

The Company's has factored prevailing rates in its financial and cash flow projections, The interest on Shareholder loans too is at market rate. The Directors monitor the overall level of borrowings and interest costs to limit any adverse effects on the financial performance of the Company.

Brexit

The Company has managed seamless operations with the UK coming out of the European Union successfully. The Company focused across 4 key areas – Internal readiness with appropriate procedures, proactive customer engagement, building supply chain resilience and managing any risks from exchange rate movements.

The Company has transitioned into the new era with minimal disruptions and continues to do so, supporting its European customers as before. All supply chains continue to operate as normal.

Health, safety and the environment

The Board requires the Company to maintain its own health, safety and environmental policies and to implement good working practices and procedures. These matters are monitored and reported periodically to the Board. The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. Initiatives aimed at minimising the Company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

Company strategic report *(continued)*

Events after the year end

There have been no key events since the year-end.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed reappointed and Crowe U.K. LLP will therefore continue in office.

This report was approved by the Board on 12th April 2023 and signed on its behalf.

S C Keating
Chairman



12th April 2023

Directors' report

For the Year Ended 31st December 2022

The Directors present their report and the financial statements for the year ended 31st December 2022.

Results and dividends

The loss for the year, before taxation, amounted to £1,197,000 (2021: £4,254,000 loss). No dividend is recommended for the year.

Directors

The Directors who served during the year were:

SC Keating

No director had any interest in the shares of the Company or any fellow UK group undertaking.

Employee involvement

The Directors recognise the value of involving employees in the business and ensure that matters of concern to them, including the Company's strategic objectives, vision, values and principles are communicated in an open and regular manner. The Company aims to make management accountable for their own actions, whilst developing their awareness of the Company's overall identity and objectives. Employees are kept aware of progress versus these objectives and key developments within the Company by regular briefings. These include two-way communication on matters of policy and performance.

The Company does not discriminate on grounds of age, colour, disablement, marital status, race, religion or sex. Employees are given the opportunity to develop and progress according to ability.

Matters covered in the Strategic report

The business review, principal risks and uncertainties and financial instruments objectives and policies have been included in the strategic report.

Going concern

An overview of the business activities of Aeromet International Limited, including a review of the key business risks that the Company faces, is given in the Strategic Report on pages 1 to 4.

As explained in the Strategic report, 2022 presented several particular challenges which have been successfully overcome in the year. Full functionality was restored to one of our two foundries at the Worcester site in the second quarter, following a significant fire which occurred at the end of 2021. The impact of significant inflation in the cost of utilities and related exceptional increases in the costs of aluminium casting ingot material and key production consumables is being mitigated through close collaboration with our customers, adapting existing commercial arrangements where necessary.

We have continued to work proactively to improve working capital management in the period, leading to greater operational flexibility within the business. A key focus has been on improving supply chain efficiency, and it is pleasing to note that average creditor days have reduced as we have worked hard with both existing and new suppliers to improve inventory availability in anticipation of a progressive ramp up in activity in the coming months.

Directors' report (continued)

Going concern (continued)

The Directors have prepared trading and cash flow forecasts for the 12-month period from the date of approval of these financial statements. These show that the Company has sufficient financial resources to meet its obligations as they fall due for the period of at least 12 months from the date of these financial statements. The forecasts make assumptions in respect of future market conditions and customer programme requirements, price changes and the ability to recover excess supply chain and energy costs. The forecasts take into account some variability of potential outcomes, to an extent which the Directors consider represents their best estimate of the future based on the information that is available to them at the time of approval of these financial statements.

The Directors have also prepared a downside forecast which incorporates certain adverse sensitivities which the Directors consider may potentially impact cash flows over the period of the forecast, including any downside risk on the Company's ability to recover excess costs due to abnormal inflation. If these downsides materialise, the Directors have considered the mitigating actions that could be taken, including potential variation in the timing of some payments to creditors and further reductions in the Company's cost base to ensure its ability to continue as a going concern.

The current ABL facility with Aurelius, matures in April 2024, following the recent improvement in business performance this should enable the business to improve on lending terms, including applicable interest rates and the Directors are confident towards a successful refinancing of the facilities.

The Company has a loan from its ultimate parent, Aeromet Holdings Limited (AHL). The above forecasts are dependent on AHL not seeking repayment of the amounts currently due from Aeromet International Limited, which at 15th March 2023 amounted to £10.8m or the request for payment of any interest accruing on the loan. The Directors have received a letter of support, indicating AHL's intention not to seek repayment of these amounts for at least the earlier of 12 months from the date of signing the financial statements or until such time that the Company is able to meet its liabilities to third parties as they fall due after repayment of the loan.

The Company is a subsidiary undertaking of Aeromet Holdings Limited, whose funding is reliant on shareholder loans provided to Aeromet Holdings Limited by Privet Capital Special Situations I LP (PCSSI LP) (the investor). The Investor has confirmed to Aeromet Holdings Limited (AHL) that they will not seek repayment of these loans or accumulated interest until the AHL group is able to repay such loans and settle its other liabilities as they fall due. At the date of signing these financial statements, loans and accumulated interest amounted to £10.6m.

The Company is therefore dependent on AHL and the Investor not seeking the repayment of their loans and interest accruing on those loans for at least 12 months from the date of approval of these financial statements.

The Directors are of the view that they can conclude that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and they can continue to adopt the going concern basis in preparing the financial statements.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic report, the Directors' 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 they have elected to prepare the financial statements in accordance with applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Directors' report (*continued*)

Directors' responsibilities statement (*continued*)

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 estimates that are reasonable and prudent; and
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

So far as they are each aware, there is no relevant audit information of which the Company and the Company's auditor is unaware, and

Each director has taken all the steps that ought to have been taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

There have been no key events since the year-end.

This report was approved by the Board on 12th April 2023 and signed on its behalf.



S C Keating
Chairman

Cosgrove Close
Blackpole Industrial Estate
Worcester
WR3 8UA

12th April 2023

Independent auditor's report to the members of Aeromet International Limited

Opinion

We have audited the financial statements of Aeromet International Limited (the 'company') for the year ended 31 December 2022, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss 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 United Kingdom, including the Financial Reporting Council'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.

Conclusion 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 Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. 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.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Independent auditor's report to the members of Aeromet International Limited *(continued)*

Opinion on other matter prescribed by the Companies Act 2006

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

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 directors' 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 set out on page 3, 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.

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:

We obtained an understanding of the legal and regulatory frameworks within which the Company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and Taxation legislation.

Independent auditor's report to the members of Aeromet International Limited *(continued)*

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included:

- enquiries of management about their own identification and assessment of the risks of irregularities;
- reviewing board minutes and making enquiries of management regarding any non-compliance with laws and regulations and fraud;
- reviewing the revenue, supplier payments, payroll and inventory systems for significant deficiencies or susceptibility to fraud;
- reviewing revenue has been recognised appropriately and that the revenue accounting policy is compliant with the financial reporting framework;
- challenging assumptions and judgements made by management in their significant accounting estimates and judgements; and
- reviewing journal entries, in particular any journal entries posted with unusual account combinations, posted by unexpected users and posted on unexpected days.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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

Use of our report

This report is made solely to the Company's members 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 for our audit work, for this report, or for the opinions we have formed.

Crowe UK LLP

Darren Rigden (senior statutory auditor)

for and on behalf of
Crowe UK LLP

Statutory Auditor
Riverside House
40 – 46 High Street
Maidstone
Kent
ME14 1JH

Date: 2nd May 2023

Profit and loss account and other comprehensive income
for the year ended 31 December 2022

	<i>Note</i>	2022	2021
		£000	£000
Turnover	2	16,690	14,919
Cost of sales		(9,768)	(10,052)
		<hr/>	<hr/>
Gross profit		6,922	4,867
Distribution costs		(296)	(278)
Administrative expenses		(7,466)	(7,311)
		<hr/>	<hr/>
Operating loss		(840)	(2,722)
Interest payable and similar charges	3	(1,460)	(1,837)
Other income	4	2,382	306
Fire related expenses	5	(1,279)	-
		<hr/>	<hr/>
Loss before taxation	6	(1,197)	(4,254)
Taxation	9	490	529
		<hr/>	<hr/>
Loss for the financial year		(707)	(3,725)
		<hr/>	<hr/>
Other comprehensive income for the year			
Actuarial gains/losses on pension scheme	20	689	96
Deferred tax on actuarial gain		(172)	(24)
		<hr/>	<hr/>
Total comprehensive loss for the year		(190)	(3,653)
		<hr/>	<hr/>

The notes on pages 14 to 30 form part of these financial statements.

Balance sheet
at 31 December 2022

	<i>Note</i>	2022 £000	£000	2021 £000	£000
Fixed assets					
Tangible assets	<i>11</i>		2,327		2,338
Negative goodwill	<i>10</i>		-		-
Intangible assets	<i>10</i>		147		265
			<u>2,474</u>		<u>2,603</u>
 Current assets					
Stocks	<i>12</i>	3,513		3,017	
Debtors	<i>13</i>	5,801		4,495	
Cash		1,453		2,203	
		<u>10,767</u>		<u>9,715</u>	
 Creditors: Amounts falling due within one year	<i>14</i>	(20,329)		(18,215)	
			<u>(9,562)</u>		<u>(8,500)</u>
Net current liabilities			(9,562)		(8,500)
 Total assets less current liabilities			(7,088)		(5,897)
 Creditors: Amounts falling due after more than one year	<i>15</i>		(3,450)		(3,672)
Pension provision	<i>20</i>		(1,591)		(2,370)
			<u>(12,129)</u>		<u>(11,939)</u>
Net liabilities			(12,129)		(11,939)
 Capital and reserves					
Called up share capital	<i>18</i>		100		100
Share premium account			900		900
Capital reserve			190		190
Profit and loss account			(13,319)		(13,129)
			<u>(12,129)</u>		<u>(11,939)</u>
Equity shareholders' deficit			(12,129)		(11,939)

The notes on pages 14 to 30 form part of these financial statements.

These financial statements were approved by the Board of Directors on 12th April 2023 and signed on its behalf by:



S C Keating
Chairman

Company number: 1626585

Statement of Changes in Equity

	Called up Share capital £000	Share premium account £000	Capital reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2021	100	900	190	(9,476)	(8,286)
Total comprehensive expense for the year					
Loss for the year	-	-	-	(3,725)	(3,725)
Actuarial gains on pension scheme	-	-	-	96	96
Deferred tax on actuarial gain	-	-	-	(24)	(24)
	-----	-----	-----	-----	-----
Total comprehensive expense for the year	-	-	-	(3,653)	(3,653)
	-----	-----	-----	-----	-----
Balance at 31 December 2021	100	900	190	(13,129)	(11,939)
	=====	=====	=====	=====	=====
Balance at 1 January 2022	100	900	190	(13,129)	(11,939)
Total comprehensive expense for the year					
Loss for the year	-	-	-	(707)	(707)
Actuarial gains on pension scheme	-	-	-	689	689
Deferred tax on actuarial gain	-	-	-	(172)	(172)
	-----	-----	-----	-----	-----
Total comprehensive expense for the year	-	-	-	(190)	(190)
	-----	-----	-----	-----	-----
Balance at 31 December 2022	100	900	190	(13,319)	(12,129)
	=====	=====	=====	=====	=====

Notes

(forming part of the financial statements)

1 Accounting policies

Aeromet International Limited (the “Company”) is a company limited by shares and incorporated and domiciled in England in the UK. The Company’s registration number is 1626585 and the registered address is Aeromet Building, Cosgrove Close, Blackpole Industrial Estate, Worcester, WR3 8UA.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company’s ultimate parent undertaking, Aeromet Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Aeromet Holdings Limited are prepared in accordance with Financial Reporting Standards 102 and are available to the public and may be obtained from Aeromet Building, Cosgrove Close, Blackpole Industrial Estate, Worcester, WR3 8UA. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes

As the consolidated financial statements of Aeromet Holdings Limited include an equivalent disclosure, the Company has also taken the exemption under FRS 102 available in respect of:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 22.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that derivative financial instruments, are stated at their fair value: financial instruments classified at fair value through the profit or loss account.

1.2 Going concern

An overview of the business activities of Aeromet International Limited, including a review of the key business risks that the Company faces, is given in the Strategic Report on pages 1 to 3.

As explained in the Strategic report, 2022 presented several particular challenges which have been successfully overcome in the year. Full functionality was restored to one of our two foundries at the Worcester site in the second quarter, following a significant fire which occurred at the end of 2021. The impact of significant inflation in the cost of utilities and related exceptional increases in the costs of aluminium casting ingot material and key production consumables is being mitigated through close collaboration with our customers, adapting existing commercial arrangements where necessary.

We have continued to work proactively to improve working capital management in the period, leading to greater operational flexibility within the business. A key focus has been on improving supply chain efficiency, and it is pleasing to note that average creditor days have reduced as we have worked hard with both existing and new suppliers to improve inventory availability in anticipation of a progressive ramp up in activity in the coming months.

The Directors have prepared trading and cash flow forecasts for the 12-month period from the date of approval of these financial statements. These show that the Company has sufficient financial resources to meet its obligations as they fall due for the period of at least 12 months from the date of these financial statements. The forecasts make assumptions in respect of future market conditions and customer programme requirements, price changes and the

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern (continued)

ability to recover excess supply chain and energy costs. The forecasts take into account some variability of potential outcomes, to an extent which the Directors consider represents their best estimate of the future based on the information that is available to them at the time of approval of these financial statements.

The Directors have also prepared a downside forecast which incorporates certain adverse sensitivities which the Directors consider may potentially impact cash flows over the period of the forecast, including any downside risk on the Company's ability to recover excess costs due to abnormal inflation. If these downsides materialise, the Directors have considered the mitigating actions that could be taken, including potential variation in the timing of some payments to creditors and further reductions in the Company's cost base to ensure its ability to continue as a going concern.

The Company has a loan from its ultimate parent, Aeromet Holdings Limited (AHL). The above forecasts are dependent on AHL not seeking repayment of the amounts currently due from Aeromet International Limited, which at 15th March 2023 amounted to £10.8m or request payment of any interest accruing on the loan. The Directors have received a letter of support, indicating AHL's intention not to seek repayment of these amounts for at least the earlier of 12 months from the date of signing the financial statements or until such time that the Company is able to meet its liabilities to third parties as they fall due after repayment of the loan.

The Company is a subsidiary undertaking of Aeromet Holdings Limited, whose funding is reliant on shareholder loans provided to Aeromet Holdings Limited by Privet Capital Special Situations I LP (PCSSI LP) (the investor). The Investor has confirmed to Aeromet Holdings Limited (AHL) that they will not seek repayment of these loans or accumulated interest until the AHL group is able to repay such loans and settle its other liabilities as they fall due. At the date of signing these financial statements, loans and accumulated interest amounted to £10.6m.

The Company is therefore dependent on AHL and the Investor not seeking the repayment of their loans and interest accruing on those loans for at least 12 months from the date of approval of these financial statements.

The Directors are of the view that they can conclude that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and they can continue to adopt the going concern basis in preparing the financial statements.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Basic financial instruments

Trade and other debtors/creditors

Trade and other debtors/creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Notes (continued)

1 Accounting policies (continued)

1.4 Basic financial instruments (continued)

Interest-bearing borrowings classified as basic financial instruments.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in subsidiaries

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.5 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Leasehold buildings 15 years
- Plant, machinery and vehicles 3 - 10 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Assets under construction are not depreciated until brought into use and transferred into the relevant category at that

time.

1.7 Intangible assets, goodwill and negative goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Negative goodwill arising on business combinations in respect of acquisitions is included on the balance sheet immediately below any positive goodwill and released to the profit and loss account in the periods in which the non-monetary assets arising on the same acquisition are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in profit or loss in the periods expected to benefit.

Research and development

Notes (continued)

1 Accounting policies (continued)

1.7 Intangible assets, goodwill and negative goodwill (continued)

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised included the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Development costs 3 years

The basis for choosing these useful lives is based on commercial value of projects covered by these costs.

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 3 years.

The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.8 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

1.9 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Employee benefits *(continued)*

The Company has also operated another money purchase arrangement, the Aeromet International plc Retirement Benefits Scheme ('Scheme'), which was contracted out of the earnings related part of the State Pensions scheme through the provision of a guaranteed minimum pension ('GMP'). Scottish Life (now part of Royal London) has provided the Scheme Trustees with a guarantee against the cost of GMP provision, however this excludes the cost of equalising the GMP benefit. The estimated costs of equalising the GMP benefit has been estimated by the Company's qualified actuary.

1.10 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.11 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services during the period. Turnover is normally recognised based on ex works trading terms when goods are despatched from factory sites.

1.12 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.13 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.14 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the statement of comprehensive income in the same period as the related expenditure.

Notes *(continued)*

2 Turnover

Turnover is derived from a single activity which is undertaken in Great Britain, and is analysed by destination as follows:

	2022 £000	2021 £000
United Kingdom	10,090	9,604
Rest of Europe	2,304	1,432
United States	3,430	2,839
Asia Pacific	267	385
Rest of world	599	659
	16,690	14,919
	16,690	14,919

3 Interest payable and similar charges

	2022 £000	2021 £000
Interest on bank, other loans and overdrafts	666	556
Interest payable on loans from group undertakings	869	868
Net foreign exchange loss	(75)	413
	1,460	1,837
	1,460	1,837

4 Other income

	2022 £000	2021 £000
Proceeds from insurance related to fire	2,010	-
Other income-scrap proceeds, rental income and other	372	306
	2,382	306
	2,382	306

5 Fire related expenses

There was a fire in November 2021 at the Company's Worcester facilities. These expenses relate to costs of dealing with the aftermath of the fire, which have been covered by insurance receipts per Note 4 above.

6 Loss before taxation

	2022 £000	2021 £000
<i>Loss before taxation is stated after charging/(crediting)</i>		
Depreciation of tangible fixed assets	534	575
Amortisation of intangible fixed assets	65	6
Operating lease charges for:		
Land and buildings	912	907
Plant, machinery and vehicles	21	35
Research and development expenditure	479	886
Provision for GMP equalisation	(689)	(96)
Management fee	240	240
Foreign exchange loss	(79)	379
Fair value movement on forward contracts	4	34
	4	34
	4	34

Notes *(continued)*

6 Loss before taxation (continued)

	2022	2021
<i>Auditor's remuneration</i>	£000	£000
Audit of these financial statements	55	45
	<u> </u>	<u> </u>

R&D Expenditure - The business is at the forefront of light alloy investment casting developments in the UK, providing specialist design and manufacture services to an international client base. The business has several designs for manufacture projects have been ongoing throughout the period addressing design and delivery of complex geometry parts for a broad spectrum of applications from aerospace to defence. The majority of R&D spend relates to cost of material and consumable and time of people involved in both development and production of such parts.

7 Directors' emoluments

	2022	2021
	£000	£000
Remuneration as executives	15	25
Company contributions to money purchase pension schemes	1	1
	<u> </u>	<u> </u>
	16	26
	<u> </u>	<u> </u>
	Number of directors	
	2022	2021
Number of Directors who were members of money purchase pension schemes	1	2
	<u> </u>	<u> </u>

The aggregate of emoluments of the highest paid director, excluding pension contributions, was £12k (2021: £12k) and company pension contributions of £1,080 (2021: £1,080) were made to a money purchase scheme on their behalf.

8 Staff numbers and costs

The average number of employees (including executive directors) during the year was as follows:

	Number of employees	
	2022	2021
Production	138	138
Administration	68	69
Selling and distribution	4	4
	<u> </u>	<u> </u>
	210	211
	<u> </u>	<u> </u>

The aggregate payroll costs of these employees were as follows:

	£000	£000
Wages and salaries	6,174	6,181
Social security costs	611	554
Other pension costs	222	230
	<u> </u>	<u> </u>
	7,007	6,965
	<u> </u>	<u> </u>

Notes *(continued)*

9 Taxation on loss on ordinary activities

Analysis of credit in period

	2022 £000	2021 £000
<i>UK corporation tax</i>		
Current tax	160	296
Adjustments in respect of prior periods	128	150
	288	446
<i>Deferred tax (see note 12)</i>		
Origination and reversal of temporary differences	202	(253)
Increase in tax rate	-	302
Adjustments in respect of prior periods	-	34
	490	529
Tax credit on loss on ordinary activities	490	529

Tax reconciliation

	2022 £000	2021 £000
Loss on ordinary activities before tax	(1,197)	(4,254)
	227	808
Tax at 19% (2021: 19%)		
<i>Effects of:</i>		
Fixed asset timing differences	17	(31)
Income/expenses not deductible for tax purposes (including goodwill amortisation)	-	(12)
Additional relief for R&D	118	219
Chargeable gains / (losses)	6	30
R&D credit claims	(49)	(92)
Prior year adjustments	128	184
Group relief surrendered for nil consideration	(186)	(192)
Deferred tax not recognised	181	(687)
Impact of change in deferred tax rate	-	302
Impact of deferred tax rate being higher than standard corporation tax rate	48	-
	490	529
Total tax credit (see above)	490	529

An increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was announced in the 3 March 2021 budget and was substantively enacted on 24 May 2021, the UK deferred tax asset as at 31 December 2022 has been calculated based on this rate.

Notes *(continued)*

10 Negative goodwill and intangible fixed assets

	Negative goodwill £000	Development costs £000	Total £000
Cost			
Balance at 1 January 2022	(476)	297	(179)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2022	(476)	297	(179)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Amortisation and impairment			
Balance at 1 January 2022	(476)	32	(444)
Amortisation for the year	-	65	65
Impairment		53	53
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2022	(476)	150	(326)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value			
At 1 January 2022	-	265	265
At 31 December 2022	-	147	147
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Amortisation and impairment charge

The amortisation, impairment charge and impairment reversals are recognised in the following line items in the profit and loss account:

	2022 £000	2021 £000
Administrative expenses	118	(6)
	<hr/>	<hr/>
	118	(6)
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

11 Tangible fixed assets

	Assets under construction £000	Short leasehold property £000	Plant, machinery and vehicles £000	Total £000
<i>Cost</i>				
At beginning of year	910	576	16,687	18,173
Additions	10	-	770	780
Transfers	(475)	-	475	-
Disposals	(5)	-	(38)	(43)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	440	576	17,894	18,910
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Depreciation</i>				
At beginning of year	-	543	15,292	15,835
Charge for year	-	1	533	534
Disposals	-	-	(12)	(12)
Impairment	226	-	-	226
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	226	544	15,813	16,583
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Net book value</i>				
At 31 December 2022	214	32	2,081	2,327
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2021	910	33	1,395	2,338
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Included in tangible fixed assets is £857k (2021:£923k) relating to assets held under hire purchase arrangements, during the year £105k (2021:£52k) has been charged to depreciation in relation to these assets.

Additions of £731k relate to assets which were replaced following the fire in 2021, which have been covered by the insurance proceeds.

Notes (continued)

12 Stocks

	2022 £000	2021 £000
Raw materials and consumables	780	670
Work in progress	1,977	1,591
Finished goods	756	756
	3,513	3,017
	3,513	3,017

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to £3,891,000 (2021: £4,513,000). Work in progress includes £37,000 (2021: £195,000) of Tooling WIP. Once completed, tooling is invoiced to customers, who own the tooling on site.

The inventories carry a provision of £680,000 (2021: £803,000) towards slow moving WIP and selected tooling inventories.

The total carrying amount of stock pledged as security for liabilities in the year amounted to £2,696,000 (2021: £2,153,000).

13 Debtors

	2022 £000	2021 £000
Trade debtors	3,443	2,969
Other debtors and prepayments	1,348	546
Deferred tax	1,010	980
	5,801	4,495
	5,801	4,495

Deferred tax assets and liabilities are attributable to the following:

	2022 £000	(Charge) / credit (for the year) £000	2021 £000
Accelerated capital allowances	(193)	(56)	(137)
Short term timing differences	460	(169)	629
Capital gain	-	7	(7)
Unused tax losses	743	248	495
	1,010	30	980
	1,010	30	980

In addition to the deferred tax asset above (which represent the amount recoverable against the Company's future profits), the company has additional unrecognised gross tax losses of £5,384k (2021: £6,689k) A deferred tax asset has not been recognised in respect of these losses as they are not expected to be recoverable.

Notes (continued)

14 Creditors: Amounts falling due within one year

	2022 £000	2021 £000
Trade creditors	2,762	3,219
Amounts owed to ultimate parent undertaking	13,538	12,558
Financial instruments	4	34
Other creditors	2,207	1,235
Taxation and social security	357	161
Accruals and deferred income	1,287	834
Finance lease liability	174	174
	20,329	18,215

Amounts owed to the ultimate parent undertaking are secured and bear interest at 8%. Amounts owed to group undertaking are unsecured and do not carry interest. Bank loans are secured against the company's trade debtors and inventory. Other loans are secured against the company's plant and machinery.

15 Creditors: Amounts falling due after more than one year

	2022 £000	2021 £000
Asset based facility	2,437	2,137
Other loans	884	1,237
Finance lease liability	129	298
	3,450	3,672

16 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2022 £000	2021 £000
Creditors falling due within less than one year		
Finance lease liability	174	174
Amounts owed to ultimate parent undertaking	13,538	12,558
	13,712	12,732
Creditors falling due more than one year		
Asset based facility	2,437	2,137
Finance lease liability	129	298
	2,566	2,435

	Currency	Nominal interest rate	Year of maturity	2022 £000	2021 £000
Amounts owed to ultimate parent undertaking	GBP	8%	NA	13,538	12,558
Asset based facility (Aurelius Finance Company)	GBP	Base plus 9.5% margin	2024	2,437	2,137

Notes *(continued)*

17 Financial instruments

Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2022	2021
	£000	£000
Assets measured at amortised cost	4,791	3,515
Liabilities measured at amortised cost	(20,325)	(18,181)
Assets measured at fair value through profit or loss – forward currency contract	(4)	(34)
	(15,538)	(14,700)
	(15,538)	(14,700)

Assets measured at amortised cost comprise trade debtors, other debtors and amounts owed to group companies.

Liabilities measured at amortised cost trade creditors, other creditors, accruals, secured bank loans, hire purchase liabilities and amount owed to group companies and the ultimate controlling party.

Assets measured at fair value through profit or loss comprise forward currency contracts. The fair value of foreign currency forward contracts is based on broker quotes

The difference between the fair value of the forward contract and carrying value has been charged to the profit and loss.

18 Called up share capital

	2022	2021
	£000	£000
<i>Allotted, called up and fully paid:</i>		
1,000,000 ordinary shares of 10p each	100	100
	100	100
	100	100

19 Commitments

Commitments under non-cancellable operating leases are as follows:

	2022	2021
	£000	£000
Land and buildings:		
Within one year	732	685
In the second to fifth years inclusive	2,928	2,742
More than 5 years	3,232	4,289
	6,892	7,716
	6,892	7,716
Plant, machinery and equipment:		
Within one year	-	6
In the second to fifth years inclusive	-	-
	-	6
	-	6

Notes *(continued)*

20 Employee Benefits

The Company participates in a money purchase pension scheme. The assets of the scheme are held separately from those of the Company in independently administered funds. The pension costs represent the contributions payable by the Company to the scheme and amounted to £222,000 (2021: £216,000). All contributions payable were paid during the year.

The Company has also operated another money purchase arrangement, the Aeromet International plc Retirement Benefits Scheme ('Scheme'), which was contracted out of the earnings related part of the State Pensions scheme through the provision of a guaranteed minimum pension ('GMP'). Scottish Life (now part of Royal London) has provided the Scheme Trustees with a guarantee against the cost of GMP provision, however this excludes the cost of equalising the GMP benefit.

On 26 October 2019 the High Court issued a ruling on GMP equalisation clarifying that pension scheme trustees are under a duty to equalise for GMPs between members of different sexes and setting out a number of different lawful methods to achieve equalisation. Following the court ruling, the Company have recognised an obligation of £1,591,000 (2021: £2,370,000) in respect of this uninsured liability, with a corresponding past service cost arising from this amendment.

The potential cost of implementing this uplift has been estimated by qualified actuaries, based on assumptions consistent with the requirements of FRS 102, and using GMP equalisation method C2. The ultimate cost of implementing the changes to members' benefits will not be known until the Trustees have completed the exercise. Changes to the estimate in future will generally be recognised as an actuarial gain or loss, although there may be an additional settlement cost to the Company if it is insured in future.

Net pension liability	2022 £000	2021 £000
GMP Equalisation liability	(1,591)	(2,370)
Net pension liability	(1,591)	(2,370)
Movements in present value of defined benefit obligation		
	2022 £000	2021 £000
At 1 January	(2,370)	(2,466)
Past service cost	689	96
Contributions	90	-
At 31 December	(1,591)	(2,370)

Pension Plan assets

The assets are held under an insurance policy with Royal London in the Crest Secure Plan. Within this Plan, Individual Accounts are held for each member, into which all contributions in respect of that member are paid. On retirement, the full proceeds of each member's Individual Account are used to secure benefits in terms of the scheme rules. The Crest Secure Plan operates on deposit administration principles and is invested in a mix of backing assets. A growth rate is declared each calendar year. Future rates of growth are not guaranteed.

Notes *(continued)*

20 Employee benefits (continued)

Expense recognised in the profit and loss account

	2022	2021
	£000	£000
Past service cost	689	96
Total expense recognised in profit or loss	689	96

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2022	2021
	%	%
Discount rate	4.9% p.a.	2.1% p.a.
Retail Price inflation	3.2% p.a.	3.5% p.a.
Consumer price inflation	2.6% p.a.	2.8% p.a.
GMP increase in deferment	Fixed rates	Fixed rates
Increase in payments		
- GMP earned before 6/4/88	0.0% p.a.	0.0% p.a.
- GMP earned after 5/4/88	2.6% p.a.	2.8% p.a.

Last full actuarial valuation was performed on 6 April 2017.

In valuing the liabilities of the pension fund at 31 December 2022, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year-old to live for a number of years as follows:

- Current pensioner aged 65: 19.3 years (male), 21.4 years (female).
- Future retiree upon reaching 65: 20.6 years (male), 22.8 years (female).

Notes (continued)

21 Ultimate parent company

The immediate parent company throughout the year was Pacific Aerospace and Electronics (UK) Limited. The Directors consider the ultimate parent company was Aeromet Holdings Limited and the ultimate controlling party to be Privet Capital Special Situations 1 LP as at the balance sheet date. Copies of the consolidated financial statements of Aeromet Holdings Limited may be obtained from its registered office being Aeromet Building, Cosgrove Close, Blackpole Industrial Estate, Worcester, WR3 8UA. No other group financial statements include the results of this Company.

22 Accounting estimates and judgements

Estimates and assumptions are reviewed on an ongoing basis. The key accounting estimates and judgements are considered to be as follows:

GMP Pension Liability

In 2020, following the High Court ruling on 26 October 2019, the Company have estimated the increase in liabilities due to GMP equalisation. The liability has been estimated by the Company's actuary at £1,591,000 (2021: £2,370,000). The ultimate cost of GMP equalisation will not be known until the Trustee completes a process to determine the impact on each relevant member's benefits.

Stocks

Stocks are valued at the lower of cost and net realisable value. Provisions are held in respect of obsolete, damaged or stock considered to be non-saleable.

Debtors

Provisions are calculated for all debts considered to be non-collectable.

Deferred tax

Deferred tax assets are recognised in the financial statements based on the assumption that the company has reasonable expectations of the deferred tax being utilised in future years. In assessing the recognition of the deferred tax asset arising from losses the directors have used 5 year forecasts to which a 10% annual compound reduction has been applied to reflect the fact that longer term forecasts are more difficult to forecast accurately.

23 Related parties

During the year the following amounts were paid by the Company to parties related to the Directors for consulting services and expenses: The Elmdene Partnership Ltd (of which Christopher Williams (director of AHL) is a director) £38,500 (2021: £36,000); Valcura Ltd (of which Christopher Hyman is a director) £12,000 (2021: £36,000).

24 Events after the year end

There have been no key events since the year-end.