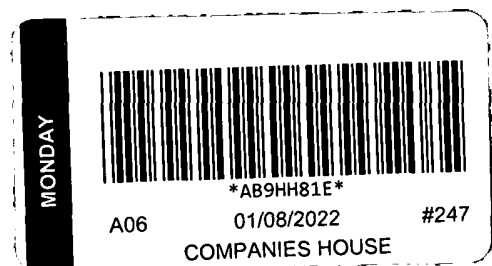


Registration number: 00158672

**Forged Solutions Group Limited**

Annual Report and Financial Statements for the Year Ended 31 December 2021



## Contents

Strategic Report	1
Directors' Report	4
Independent Auditors' Report	8
Profit and Loss Account	12
Statement of Comprehensive Income	13
Balance Sheet	14
Cash Flow Statement	15
Statement of Changes in Equity	16
Notes to the Financial Statements	17

## **Company Information**

### **Directors**

Ben McIvor  
Duncan Hinks  
Lee Smith  
Peter Manos  
Henry Albers

### **Registered office**

Dale Road North  
Matlock  
DE4 2JB  
United Kingdom

### **Independent Auditors**

BDO LLP  
Chartered Accountants and Statutory Auditors  
Two Snowhill  
Birmingham  
B4 6GA  
United Kingdom

## Strategic Report for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

### Principal activities

The principal activity of Forged Solutions Group Limited ("the Company") is the production of hammer, press, extrusion and upset forgings in alloy and carbon steel, nickel based, titanium and other special alloys.

The Company has responded to the substantial challenges created by Covid-19. The Company has implemented a series of safety measures at its manufacturing facilities to ensure all employees remain safe. These have been in place throughout 2021 and will stay in place for as long as is necessary as the safety of our employees is paramount. The Company has continued to operate throughout the period of the global pandemic whilst ensuring adherence to the safety measures.

### Review of the business and future developments

The results of the Company for the year ended 31 December 2021 are shown in the profit and loss account on page 12. The financial position of the Company as at 31 December 2021 is shown on the balance sheet on page 14.

The Company's key financial and other performance indicators during the year were as follows:

	2021 £'000	2020 £'000
Sales	58,746	70,974
Operating loss before exceptional items	(181)	(3,035)
Net cash flow generated from operating activities	7,038	1,260

As a result of the global pandemic and the consequential reduction in air travel, the overall aerospace market has seen a substantial reduction in demand. The Company saw a reduction in sales for 2021 to £58,746,000 consistent with the overall reduction in aerospace market demand. In response to this reduction in sales the Company took action to address its cost structure. As a result operating loss before exceptional items improved during the year to £181,000.

The Company continued to have a good strong cash performance with cash generated from operating activities of £7,038,000 (2020: £1,260,000). The cash generated was used to fund capital improvements and to continue to reduce bank debt. The Company had cash of £561,000 at 31 December 2021. The Company has access to flexible financing arrangements and as such only holds, at any given time, sufficient cash to fund its immediate working capital requirements. Significant further funds are available to the Company to be drawn as necessary to meet longer term needs and additional working capital requirements.

Subsequent to the balance sheet date the Company agreed a two year extension to its financing facility on its current terms. The financing facility now expires on 19 December 2024 and will be shown as long term debt at the next balance sheet date.

The conflict in Ukraine during 2022 has to date had limited impact on the Company in terms of revenue and supply, albeit the Company has been subject to rising costs of metal, which are typically passed on in full to customers.

## **Strategic report (continued)**

### **Principal risks and uncertainties**

The management of the business and the execution of the Company's strategy is subject to a number of risks.

The Company is exposed to competition from other suppliers in the market. The Company seeks to reduce this risk by entering into long term agreements with all its key customers and differentiating itself through its delivery and quality performance.

The Company is exposed to reductions in end market demand, particularly demand in the aerospace market, which in turn affects demand for its own products. The Company seeks to manage this risk through supplying parts for a range of engine programmes and also to a range of customers.

There is a risk that the Company supplies parts which do not comply with customer specifications and designs. The Company manages this risk through having a rigorous quality programme and ensuring extensive testing and validation is performed prior to the parts being supplied.

There is a risk that the supply of parts is affected by the ability of the Company to source material and components at the required time. Production scheduling is routinely performed providing key suppliers with clear visibility of demand.

There is a risk, as has become evident during 2020 and 2021, that the business is exposed to the impact of a global pandemic. In particular this affects market and customer demand for aerospace parts and the ability to produce parts. The Company operates in a number of market sectors other than aerospace which provides some mitigation against a downturn in aerospace activity. Additionally the Company has been able to quickly implement measures which protect the health of employees and allow production to continue safely without any significant interruption.

### **Section 172(1) Directors' statement**

A director of a Company must act in the way he or she considers, in good faith, would most likely promote the success of the Company for the benefit of its members 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 customers, suppliers 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 between members of the Company.

### **The Board's approach**

The Directors are involved in the day to day running of the Company and are supported by senior management teams based at the Sheffield Forgings and Darley Dale sites. Additionally the Directors and the business are supported by the ultimate owners of the Company, Arlington Capital Partners who provide support and oversight on a regular basis.

The overall strategy of the Board and the Company is to create a world class forging business, providing exceptional service and quality to our customers in the Aerospace and other sectors, and through this approach and investment in the business creating long term sustainable growth.

The Board understands and acknowledges that the long term success of the Company is in part dependent on its interaction with key stakeholders.

## **Strategic report (continued)**

### **The Board's approach (continued)**

The key board decision taken by the Directors of the Company during the year was to furlough certain employees of the Company until production demand returned. Subsequent to the year-end the Board also made the decision to extend the terms of its financing facility for a further two years until December 2024.

### **Employees**

The success of the business and the Company is dependent on its employees, who are critical to maintaining the quality of product and delivering exceptional service to our customers. The Forged Solutions Group holds a quarterly business brief which covers all employees and updates them on current trading, market conditions and other matters relevant to all employees.

Additionally the senior management team on site meets with elected employee representatives on a regular basis to allow them to raise any matters of concern and to update them on business matters.

### **Customers**

The Company has long standing relationships with a number of key customers and engages in regular dialogue with those customers. In the majority of cases the Company has entered into long term arrangements with these customers which set out the basis of trading between the parties for a number of years. The aim of the Company is to provide parts to these customers on time in full to the highest quality and in accordance with agreed specifications. The Company also engages in regular discussions with its customers to understand their future needs and requirements.

### **Suppliers**

The Company uses a wide range of suppliers to support its business, in particular a number of key suppliers of metal. The Company has long standing relationships with the majority of its suppliers and aims to keep them informed of future requirements. Additionally the Company seeks to work with local suppliers where possible to support the economy local to the Sheffield and Darley Dale areas.

### **Environment**

The Company recognises and understands the potential risks associated with the operation of heavy manufacturing equipment to its employees, the local community and the environment. The Company complies with all relevant health, safety, and environmental legislation and will transparently work with the relevant regulatory bodies to support this.

### **Future developments**

The Company has seen a progressive improvement in revenues and order book during 2021, and this is expected to continue into 2022 as demand for global air travel increases. This is expected to lead to an increase in sales and profits for the Company during 2022.

On behalf of the Board



Ben McIvor

Director

30 June 2022

## **Directors' Report**

The Company's registered number is 00158672. The directors present their report on the audited financial statements for the year ended 31 December 2021.

### **Directors of the company**

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

B McIvor

D Hinks

L Smith

P Manos

E Son (resigned 26 March 2021)

H Albers (appointed 26 March 2021)

### **Proposed dividend**

The Company does not propose a dividend for the year ended 31 December 2021.

### **Going concern**

The Directors have performed a going concern assessment for the Company, using the Board approved budget for 2022 and longer range forecasts. The Directors have also considered the cash forecasts of the Company, the cash available to the Company and additional liquidity provided by the Group's financing facility. Additionally the Directors have given consideration to covenant thresholds under the Group's financing facility.

As part of the going concern assessment, the Directors considered a range of reasonably possible downside scenarios for the Group which include a reduction in expected demand, additional operating costs particularly for manufacturing yield and utility costs and risks regarding changes in exchange rates, and included a significant downside scenario which reflects levels of trading during the latter stages of the global pandemic. The Directors have also considered mitigating actions which are available and within the control of the Group, particularly regarding potential reductions in operating cost and reducing planned spend. The Directors are satisfied based on all the projections that the Company has sufficient cash and available liquidity to continue as a going concern for the foreseeable future, and that the Group will be in compliance with its banking covenants. While there can be no certainty that the Company's and Group's forecasts can be achieved the Directors are satisfied that the Company has adequate resources to meet its obligations as they fall due. Accordingly the accounts of the Company have been prepared on a going concern basis.

## Directors' Report (continued)

### Streamlined Energy and Carbon Reporting ("SECR")

The Company has presented below its carbon footprint together with an appropriate intensity metric for the year to 31 December 2021.

	<b>2021</b>	2020
UK Energy consumption (kWh)	<b>92,915,276</b>	117,370,396
CO <sub>2</sub> e emissions (tonnes)		
- Electricity	<b>3,200</b>	4,473
- Gas	<b>14,251</b>	17,933
- Transport	<b>103</b>	167
Total CO <sub>2</sub> e emissions (tonnes)	<b>17,554</b>	22,573
Total revenue (£'000)	<b>58,746</b>	70,974
Intensity ratio – Total CO <sub>2</sub> e emissions/£ of revenue	<b>0.30</b>	0.32

*Disclosure of methodology* - Electricity and gas usage is based on billed amounts from suppliers using actual meter readings. Transport represents actual diesel fuel consumed for fork lift trucks and mileage recorded on Company owned vehicles. Total emissions has been calculated using the UK government conversion factors for greenhouse reporting for 2021. The Intensity ratio is based on revenue to reflect the activity within the business.

*Energy actions* - The Company has a rolling programme of actions to reduce energy usage which during 2021 included actively managing key equipment uptime and downtime to directly mirror production activity and replacing or retiring energy intensive equipment where possible.

### Disclosure of indemnities

The directors confirm under section 234 of the Companies Act 2006 that:

- at the time this directors' report is signed a qualifying third-party indemnity provision was in force for the benefit of all the directors of the Company;
- for the financial year ended 31 December 2021 a qualifying third-party indemnity provision was in force for the benefit of all the directors of the Company; and
- that there is no qualifying third-party indemnity provision provided by the Company for one or more directors of an associated company either on the date the directors' report is signed or in the last financial year.

### Employment of disabled persons

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

## **Directors' Report (continued)**

### **Employee involvement**

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through briefing groups and the distribution of the annual report.

### **Financial risk management**

#### **Objectives and policies**

The Company's operations expose it to a variety of financial risks, including commodity price risk, exchange rate risk, credit risk, liquidity risk and interest rate risk. Exposures to these risks are monitored, reported and mitigated according to policies and procedures set by its Board.

#### **Price risk**

Where deemed appropriate, the exposures to commodity price risk and exchange rate fluctuations are managed through the use of financial instruments such as forward exchange contracts, options and swaps. The Company's operations have no exposure to equity securities price risk as it holds no listed or equity investments.

#### **Credit risk**

Credit risk policies include appropriate credit checks on potential customers. Credit limits are defined within parameters set by the Board.

#### **Liquidity risk**

The Company maintains a mixture of long term and short-term debt finance principally with third-party banks. This is designed to ensure the Company has sufficient available funds for its operations.

#### **Interest rate cash flow risk**

The Company's operations have interest bearing assets and liabilities which are maintained on the basis of a mixture of fixed and floating rates. The interest rate levels are reviewed on a regular basis by the Company.

#### **Future developments**

The future developments in the business are set out in the Strategic Report on page 3.

## **Directors' Report (continued)**

### **Statement of directors' responsibilities**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for 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.

The Directors 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.

### **Independent auditors**

Under section 487(2) of the Companies Act 2006, BDO LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

### **Disclosure of information to the auditors**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

On behalf of the Board



Ben McIvor  
Director  
30 June 2022

Registered Office: Dale Road North, Matlock, DE4 2JB

# Independent auditors' report to the members of Forged Solutions Group Limited

## Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Forged Solutions Group Limited ("the Company") for the year ended 31 December 2021 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, Cash flow statement, the statement of changes in equity and notes to the financial statements, 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).

## 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

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.

## 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 directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements 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. 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.

## **Independent auditors' report to the members of Forged Solutions Group Limited (continued)**

### **Other information (continued)**

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.

### **Other Companies Act 2006 reporting**

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.

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 Statement of Directors' Responsibilities, 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.

## **Independent auditors' report to the members of Forged Solutions Group Limited (continued)**

### **Auditor's responsibilities for the audit of the financial statements (continued)**

#### *Extent to which the audit was 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, 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 applicable to the Company based on our understanding of the Company and sector experience and discussions with management. We considered the most significant laws and regulations for the Company to be the applicable accounting framework, Companies Act 2006, Corporate taxes and VAT legislation, Employment taxes, Health and Safety and the Bribery Act 2010.
- We made enquiries of management and the Board, and obtained and reviewed supporting documentation, concerning the Company's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they had knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations
- We held discussion among the engagement team, to assess how and where fraud might occur in the financial statements and any potential indicators of fraud and non-compliance with laws and regulation.
- We reviewed correspondence with the relevant authorities to identify any irregularities or instances of non-compliance with laws and regulations.
- We reviewed available minutes of Board meetings.
- We analysed the journals entries posted throughout the year to identify and test any which we considered were indicative of management override. The selected journals were tested to supporting documentation.
- We also selected and tested journals posted to revenue, agreeing them to supporting documentation to test that they were appropriate, correctly recorded and supported by appropriate evidence.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.


Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Independent auditors' report to the members of Forged Solutions Group Limited (continued)**

### **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.

DocuSigned by:  
  
397C313CDCBF48A...

Jonathan Gilpin (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Birmingham  
30 June 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**Profit and Loss Account for the Year Ended 31 December 2021**

		<b>2021</b>	2020
	<b>Notes</b>	<b>£000</b>	Restated £000
Turnover	5	<b>58,746</b>	70,974
Cost of sales		<b>(55,892)</b>	(74,299)
Gross profit/(loss)		<b>2,854</b>	(3,325)
Distribution costs		<b>(429)</b>	(626)
Administrative expenses		<b>(2,855)</b>	(3,707)
Other operating income	6	<b>503</b>	2,158
Operating loss before exceptional items		<b>(181)</b>	(3,035)
Exceptional items	7	<b>254</b>	(2,465)
Operating profit/(loss)	6	<b>73</b>	(5,500)
Interest payable and similar expenses	8	<b>(846)</b>	(606)
Loss before taxation		<b>(773)</b>	(6,106)
Tax on loss	12	<b>1,350</b>	(186)
Profit/(loss) for the financial year		<b>577</b>	(6,292)

The above results were derived from continuing operations.

The following notes 1 to 27 form an integral part of these financial statements

**Statement of Comprehensive Income for the Year Ended 31 December 2021**

	<b>2021</b>	2020
	<b>£000</b>	£000
Profit/(loss) for the financial year	577	(6,292)
<b>Total comprehensive income/(expense) for the year</b>	<b>577</b>	<b>(6,292)</b>

The following notes 1 to 27 form an integral part of these financial statements

(Registration number: 00158672)

Balance Sheet as at 31 December 2021

	Note	2021 £000	2020 £000
<b>Fixed assets</b>			
Intangible assets	13	-	-
Tangible assets	14	28,714	29,985
		<u>28,714</u>	<u>29,985</u>
<b>Current assets</b>			
Inventories	15	27,165	34,184
Debtors	16	25,491	20,283
Cash at bank and in hand		561	828
		<u>53,217</u>	<u>55,295</u>
<b>Creditors: Amounts falling due within one year</b>	17	<b>(27,875)</b>	<b>(14,124)</b>
		<u>25,342</u>	<u>41,171</u>
<b>Net current assets</b>			
		<u>54,056</u>	<u>71,156</u>
<b>Total assets less current liabilities</b>			
Creditors: Amounts falling due after more than one year	24	(68)	(18,231)
Provisions for liabilities	18	(766)	(1,016)
		<u>53,222</u>	<u>51,909</u>
<b>Net assets</b>			
<b>Capital and reserves</b>			
Called up share capital	20	9,642	8,906
Revaluation reserve		1,001	1,019
Profit and loss account		42,579	41,984
		<u>53,222</u>	<u>51,909</u>
<b>Total equity</b>			

The financial statements were approved by the board of directors on 30 June 2022 and were signed on its behalf by:



Duncan Hinks  
Director

The following notes 1 to 27 form an integral part of these financial statements

**Cash Flow Statement for the year ended 31 December 2021**

	Note	2021 £000	2020 £000
Net cash from/(used in) operating activities	25	6,442	(633)
Tax received		596	1,893
<b>Net cash generated from operating activities</b>		<b>7,038</b>	<b>1,260</b>
<b>Cash flow from investing activities</b>			
Purchase of tangible fixed assets		(3,082)	(5,131)
Proceeds from disposal of tangible fixed assets		66	210
<b>Net cash used in investing activities</b>		<b>(3,016)</b>	<b>(4,921)</b>
<b>Cash flow from financing activities</b>			
Repayment of bank borrowings		(3,602)	(11,051)
Proceeds of intercompany loans		-	736
Interest paid		(597)	(548)
Repayment of finance leases		(90)	-
Proceeds from issue of share capital		-	4,006
<b>Net cash used in financing activities</b>		<b>(4,289)</b>	<b>(6,857)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(267)</b>	<b>(10,518)</b>
Cash and cash equivalents at the start of the year		828	11,346
<b>Cash and cash equivalents at the end of the year</b>		<b>561</b>	<b>828</b>

The following notes 1 to 27 form an integral part of these financial statements

**Statement of Changes in Equity for the Year Ended 31 December 2021**

	<b>Called up share capital</b>	<b>Revaluation reserve</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January 2021	8,906	1,019	41,984	51,909
Profit for the financial year	-	-	577	577
<b>Total comprehensive income for the year</b>	-	-	<b>577</b>	<b>577</b>
Issue of shares	736	-	-	736
Reclassification to profit and loss	-	(18)	18	-
<b>At 31 December 2021</b>	<b>9,642</b>	<b>1,001</b>	<b>42,579</b>	<b>53,222</b>

Profit and loss account represents cumulative retained comprehensive income. Revaluation reserve relates to a historic revaluation of land and buildings prior to 1998.

	<b>Called up share capital</b>	<b>Revaluation reserve</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January 2020	4,900	1,037	48,258	54,195
Loss for the financial year	-	-	(6,292)	(6,292)
<b>Total comprehensive expense for the year</b>	-	-	<b>(6,292)</b>	<b>(6,292)</b>
Issue of shares	4,006	-	-	4,006
Reclassification to profit and loss	-	(18)	18	-
<b>At 31 December 2020</b>	<b>8,906</b>	<b>1,019</b>	<b>41,984</b>	<b>51,909</b>

The following notes 1 to 27 form an integral part of these financial statements

## Notes to the financial statements

### 1 General information

Forged Solutions Group Limited is part of the Forged Solutions Group.

The principal activity of Forged Solutions Group Limited ("the Company") is the production of hammer, press, extrusion and upset forgings in alloy and carbon steel, nickel based, titanium and other special alloys.

The Company is a private company limited by share capital, incorporated in England and Wales. The Company's registered office is located in England. The address of its registered office is:

Dale Road North  
Matlock  
DE4 2JB  
United Kingdom

### 2 Statement of compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

#### *Prior year restatement*

During the year, the Directors corrected the presentation of income received for the UK coronavirus job retention scheme in 2020 as other operating income on the face of the profit and loss account which were previously included in cost of sales (£2,087,000) and administrative expenses (£71,000). The restatements do not impact the prior year profit or net assets as at 31 December 2020.

	As previously stated £000	Adjustment £000	As restated £000
Cost of sales	72,212	2,087	74,299
Administrative expenses	3,636	71	3,707
Other operating income	-	(2,158)	(2,158)

### 3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 3.1 Basis of preparation of financial statements

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by certain financial assets and liabilities measured at fair value through profit or loss. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

## Notes to the financial statements (continued)

### 3.2 Going concern

The Directors have performed a going concern assessment for the Company, using the Board approved budget for 2022 and longer range forecasts. The Directors have also considered the cash forecasts of the Company, the cash available to the Company and additional liquidity provided by the Group's financing facility. Additionally the Directors have given consideration to covenant thresholds under the Group's financing facility.

As part of the going concern assessment, the Directors considered a range of reasonably possible downside scenarios for the Group which include a reduction in expected demand, additional operating costs particularly for manufacturing yield and utility costs and risks regarding changes in exchange rates, and included a significant downside scenario which reflects levels of trading during the latter stages of the global pandemic. The Directors have also considered mitigating actions which are available and within the control of the Group, particularly regarding potential reductions in operating cost and reducing planned spend. The Directors are satisfied based on all the projections that the Company has sufficient cash and available liquidity to continue as a going concern for the foreseeable future, and that the Group will be in compliance with its banking covenants. While there can be no certainty that the Company's and Group's forecasts can be achieved the Directors are satisfied that the Company has adequate resources to meet its obligations as they fall due. Accordingly the accounts of the Company have been prepared on a going concern basis.

### 3.3 Related party transactions

The Company has taken advantage of the exemption, under FRS 102 from disclosing transactions with members of the same group that are wholly owned.

### 3.4 Foreign currency

#### (i) Functional and presentation currency

The Company's functional and presentation currency is the pound sterling.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within administrative expenses. All other foreign exchange gains and losses are presented in the profit and loss account within cost of goods sold.

## Notes to the financial statements (continued)

### 3.5 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates and value added tax. The following criteria must also be met before turnover is recognised:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The majority of the Company's turnover is derived from the sale of product to customers. For the sale of product the turnover is recognised when the related products are complete, and shipped to the customers according to the agreed contractual shipment terms. The remaining turnover largely relates to the sale of scrap metal which is recognised when the counterparty accepts the scrap metal.

### 3.6 Government Grants

Capital based government grants are included within deferred income in the balance sheet and credited to trading profit over the estimated useful economic lives of the assets to which they relate. Revenue based government grants are credited to trading profit in the period in which the expenditure to which they relate is incurred.

Amounts received in relation to the UK Coronavirus Job Retention scheme have been credited to the profit and loss account in the period to which they relate to.

### 3.7 Exceptional items

The Company classifies certain one-off charges or credits that have a material impact on the Company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Company.

### 3.8 Research and development

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

### 3.9 Finance income and costs

#### (i) Interest income

Interest income is recognised using the effective interest rate method.

#### (ii) Finance costs

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

## Notes to the financial statements (continued)

### 3.10 Employee Benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and a defined benefit and contribution pension plan.

#### (i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

#### (ii) Defined contribution pension plan

The Company operates a defined contribution pension plan for certain 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 when they are due. Amounts not paid are shown in 'Creditors: amounts falling due within one year' in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

#### (iii) Annual bonus plan

The Company operates a discretionary bonus plan for employees. An expense is recognised in the profit and loss account when the Company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

#### (iv) Share-based payments

The Group through its parent company, Forged Solutions Group Inc operates an equity-settled share-based compensation plan for certain employees of the Group. The options were granted in November 2020 and have various vesting criteria over a 10 year period. The directors have obtained an external valuation of the scheme, using a binomial and Monte Carlo model for separate aspects of the scheme. Key judgements in the valuation included the starting equity value of the Group, exit date probabilities, volatility (based on comparable quoted companies) and staff turnover. Based on the assumptions used and the grant date of the scheme, the directors have concluded that the fair value of the employee services is entirely immaterial to the Company and accordingly no further disclosure has been included in the financial statements.

### 3.11 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related turnover is recognised.

Cost is determined using the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes, duties, transport and handling directly attributable to bringing the inventory to its present location and condition. The cost of manufactured finished goods and work in progress includes design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

## Notes to the financial statements (continued)

### 3.12 Cash at bank and in hand

Cash at bank and in hand includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

### 3.13 Provision for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the profit and loss account in the year that the Company becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are made, they are charged to the provision carried in the balance sheet.

### 3.14 Intangible assets

Computer software and capitalised new product development are stated at cost less accumulated amortisation and accumulated impairment losses. They are amortised over its estimated useful life of between three and five years, on a straight-line basis. Where factors such as technological advancement or changes in market price indicate that residual value or useful life have changed, the residual value, useful life or amortization rate is amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

### 3.15 Tangible assets

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase cost of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Repairs and maintenance costs are expensed as incurred.

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. The estimated useful lives and principal annual rates used for this purpose range as follows:

Buildings - 50 years  
Plant and equipment - 3 to 25 years  
Construction in progress - Not depreciated  
Land - Not depreciated

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the profit and loss account.

## Notes to the financial statements (continued)

### 3.16 Called up share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 3.17 Leased assets

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

#### (i) Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset. Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date. The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

#### (ii) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

### 3.18 Impairment of non financial assets

At each balance sheet date non-current financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset. If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the profit and loss account.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

## Notes to the financial statements (continued)

### 3.19 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Current or deferred taxation assets and liabilities are not discounted.

## Notes to the financial statements (continued)

### 3.20 Financial Instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

#### (i) Financial assets

Basic financial assets, including trade and other debtors, amounts owed by group undertakings and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. 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.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

#### (ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, amounts owed to group undertakings, obligations under finance lease and bank loans are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as 'Creditors: amounts falling due within one year' if payment is due within one year or less. If not, they are presented as 'Creditors: amounts falling due after more than one year'. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

#### (iii) Offsetting

Financial assets and liabilities are offset and 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.

#### (iv) Derivatives

Derivative financial instruments can be a financial asset or a financial liability and are not basic financial instruments. Derivatives, including forward foreign exchange contracts are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The Company does not currently apply hedge accounting for foreign exchange derivatives.

## Notes to the financial statements (continued)

### 4 Critical accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### (i) Useful economic lives and tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on the technological advancement, future investments, economic utilization and the physical condition of the assets. See note 14 for the carrying amount of the tangible assets, and accounting policy 3.15 for the useful economic lives for each class of assets.

#### (ii) Recoverability of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 16 for the net carrying amount of the debtors and associated impairment provision.

#### (iii) Impairment of tangible assets

The Company considers whether tangible assets are impaired. Where an indication of impairment is identified the recoverable value is estimated. The calculation of recoverable value requires the use of estimates and assumptions consistent with the most recent budgets and plans that have been formally approved by management together with the selection of appropriate discount rates in order to calculate the net present value of those cash flows.

#### (iv) Inventory provisioning

The Company's principal activity during the period was the production of hammer, press, extrusion and upset forgings in alloy and carbon steels, nickel based, titanium and other special alloys which are subject to changing customer requirements as a result of market conditions. As a result of the aforementioned factors it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and work in progress and future usage of raw materials. See note 15 for the net carrying amount of the inventory and associated provision.

## Notes to the financial statements (continued)

### 5 Turnover

The analysis of the Company's turnover for the year from continuing operations is as follows:

	<b>2021</b>	2020
	<b>£000</b>	£000
Sale of goods	<b>57,645</b>	69,910
Sale of scrap	<b>1,101</b>	1,064
	<b>58,746</b>	70,974

The analysis of the Company's turnover for the year by geographical market destination is provided below:

	<b>2021</b>	2020
	<b>£000</b>	£000
United Kingdom	<b>14,587</b>	21,901
Rest of Europe	<b>9,960</b>	14,402
Rest of world	<b>34,199</b>	34,671
	<b>58,746</b>	70,974

### 6 Operating profit/(loss)

Arrived at after charging/(crediting);

	<b>2021</b>	2020
	<b>£000</b>	£000
Impairment of inventories	<b>2,386</b>	714
Depreciation of tangible fixed assets	<b>3,874</b>	3,555
Foreign exchange losses/(gains)	<b>53</b>	(449)
Operating lease expense - other	<b>712</b>	924
UK coronavirus job retention scheme income	<b>(503)</b>	(2,158)
Loss/(profit) on disposal of tangible fixed assets	<b>413</b>	(154)

## Notes to the financial statements (continued)

### 7 Exceptional items

	<b>2021</b>	2020
	<b>£000</b>	£000
Insurance claim (refer (i) below)	<b>(990)</b>	-
Release of grant claim liability (refer (ii) below)	<b>(1,596)</b>	-
Write-off of pre acquisition inventory (refer (iii) below)	<b>1,977</b>	-
Expenses associated with sale process (refer (iv) below)	<b>139</b>	-
Redundancy and other reorganization costs (refer (v) below)	<b>216</b>	2,465
	<b>(254)</b>	2,465

- (i) During the year the Company was successful in making a claim under its insurance policy for loss of business as a result of the Covid-19 pandemic. Income of £990,000 was received.
- (ii) The Company completed the post period monitoring of a grant during the year and met the relevant grant conditions. As such a provision for potential repayment of the claim of £1,596,000 was not required and hence released.
- (iii) The Company has undertaken an exercise to identify and scrap inventory which was manufactured prior to the acquisition of the Company by Arlington Capital Partners and which is considered surplus to customer requirements. Inventory totalling £1,977,000 was scrapped as part of this exercise.
- (iv) The Company was sold during 2019 to Arlington Capital Partners. Certain costs were incurred during the year to complete the sale process, which are considered to be one-off in nature, and have been shown as exceptional costs.
- (v) During 2020 the Company undertook two redundancy programmes in response to reduced market demand as a result of Covid-19. These redundancy programmes were completed in early 2021 together with the closure of the Company's administrative office. Costs totalling £216,000 (2020: £2,465,000) were incurred.

### 8 Interest payable and similar expenses

	<b>2021</b>	2020
	<b>£000</b>	£000
Interest on bank loans	<b>577</b>	521
Amortisation of bank arrangement fee	<b>58</b>	58
Finance lease interest	<b>13</b>	-
Other interest	<b>198</b>	27
	<b>846</b>	606

## Notes to the financial statements (continued)

### 9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	<b>2021</b>	2020
	<b>£000</b>	£000
Wages and salaries	<b>13,062</b>	21,122
Social security costs	<b>1,336</b>	2,228
Other pension costs	<b>1,074</b>	1,759
	<b>15,472</b>	25,109

The average monthly number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	<b>2021</b>	2020
	<b>No.</b>	No.
Production	<b>309</b>	443
Administration and support	<b>37</b>	38
	<b>346</b>	481

Key management compensation was as follows:

	<b>2021</b>	2020
	<b>£000</b>	£000
Short term employee benefits	<b>689</b>	618
Long term employee benefits	<b>46</b>	43
	<b>735</b>	661

Of the above £557,000 (2020: £484,000) is charged to the profit and loss account in the Company, and £178,000 (2020: £177,000) is charged to a sister company.

### 10 Directors' remuneration

The directors' remuneration for the year was as follows:

	<b>2021</b>	2020
	<b>£000</b>	£000
Emoluments	<b>355</b>	306
Contributions paid to money purchase schemes	<b>24</b>	22
	<b>379</b>	328

£178,000 (2020: £177,000) was also paid by a sister company in relation to the directors for which it is not possible to specifically identify the element relating to acting as directors of the Company.

**Notes to the financial statements (continued)**

**10 Directors' remuneration (continued)**

During the year the number of directors who were receiving benefits and share incentives was as follows:

	<b>2021</b>	2020
	<b>No.</b>	No.
Received or were entitled to receive shares under long term incentive schemes	<b>3</b>	3
Accruing benefits under money purchase schemes	<b>3</b>	3

In respect of the highest paid director:

	<b>2021</b>	2020
	<b>£000</b>	£000
Emoluments	<b>180</b>	156
Contributions paid to money purchase schemes	<b>13</b>	14

**11 Auditors' remuneration**

	<b>2021</b>	2020
	<b>£000</b>	£000
Audit of the financial statements	<b>80</b>	49

**12 Tax on loss**

Tax (credited)/charged in the profit and loss account

	<b>2021</b>	2020
	<b>£000</b>	£000
<b>Current taxation</b>		
UK corporation tax	-	-
UK corporation tax adjustment to prior periods	-	(596)
	-	(596)
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	<b>(1,350)</b>	782
	<b>(1,350)</b>	186

**Notes to the financial statements (continued)**

**12 Tax on loss (continued)**

The tax on loss before taxation for the year is higher than the standard rate of corporation tax in the UK (2020 – lower than the standard rate of corporation tax in the UK) of 19% (2020 - 19%). The differences are reconciled below:

	<b>2021</b>	2020
	<b>£000</b>	£000
Loss before taxation	<b>(773)</b>	(6,106)
Corporation tax at standard rate	<b>(147)</b>	(1,160)
Effect of income and expense not deductible in determining taxable loss	<b>(160)</b>	1
Group relief surrendered for nil payment	<b>51</b>	47
Deferred tax credit relating to changes in tax rates or laws	<b>(2,256)</b>	(841)
Deferred tax (credit)/charge from a prior period	-	778
Movement in unrecognized deferred tax	<b>1,243</b>	1,935
UK corporation tax adjustment to prior periods	-	(596)
Tax increase from effect of capital allowances and depreciation	-	53
Other	<b>(81)</b>	(31)
Total tax (credit)/charge	<b>(1,350)</b>	186

Any losses surrendered to other group companies are surrendered at nil value. Amounts payable for group relief are included in the taxation charge of the Company.

The Finance Act 2021 was substantially enacted in May 2021 and has increased the corporation tax rate from 19% to 25% with effect from 1 April 2023. The deferred tax balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

Deferred taxes comprise;

	<b>Asset</b>	
	<b>2021</b>	2020
	<b>£000</b>	£000
Fixed asset timing differences	<b>1,300</b>	4,866
Short term timing differences	<b>22</b>	18
Losses	<b>7,173</b>	2,261
	<b>8,495</b>	7,145

The Company has an unrecognised deferred tax asset of £nil (2020: £1,935,000) relating to trading losses.

**Notes to the financial statements (continued)**

**13 Intangible assets**

	<b>Other intangible assets £000</b>	<b>Total £000</b>
<b>Cost</b>		
At 1 January 2021	544	544
Additions	-	-
<b>At 31 December 2021</b>	<b>544</b>	<b>544</b>
<b>Accumulated amortisation</b>		
At 1 January 2021	544	544
Amortisation charge	-	-
<b>At 31 December 2021</b>	<b>544</b>	<b>544</b>
<b>Carrying amount</b>		
<b>At 31 December 2021</b>	<b>-</b>	<b>-</b>
At 31 December 2020	-	-

Notes to the financial statements (continued)

14 Tangible assets

	Freehold Land and buildings £000	Plant and equipment £000	Construction in progress £000	Total £000
<b>Cost</b>				
At 1 January 2021	12,222	132,606	3,236	148,064
Additions	15	18	3,049	3,082
Disposals and write-off	(1)	(86,008)	(75)	(86,084)
Transfers	-	5,101	(5,101)	-
<b>At 31 December 2021</b>	<b>12,236</b>	<b>51,717</b>	<b>1,109</b>	<b>65,062</b>
<b>Accumulated depreciation</b>				
At 1 January 2021	2,668	115,411	-	118,079
Charge for the year	278	3,596	-	3,874
Eliminated on disposal/write-off	(47)	(85,558)	-	(85,605)
<b>At 31 December 2021</b>	<b>2,899</b>	<b>33,449</b>	<b>-</b>	<b>36,348</b>
<b>Carrying value</b>				
<b>At 31 December 2021</b>	<b>9,337</b>	<b>18,268</b>	<b>1,109</b>	<b>28,714</b>
At 31 December 2020	9,554	17,195	3,236	29,985

*Security*

The total carrying amount of Tangible fixed assets pledged as security for liabilities in the year amounted to £28,714,000 (2020: £29,985,000) in relation to bank loans held by the parent company, Aero Forgings Bidco Limited.

*Write-off*

The Company undertook a full physical verification of fixed assets during the year, which had not been completed for a number of years. This resulted in fixed assets with a cost of £86,084,000 and net book value of £479,000 being written off, for assets which have been scrapped and disposed of in previous years but not previously included in disposals in the financial statements.

15 Inventories

	2021 £000	2020 £000
Raw materials and consumables	9,644	13,522
Work in progress	13,849	12,467
Finished goods and goods for resale	3,672	8,195
	<b>27,165</b>	<b>34,184</b>

Inventories are stated after provisions for impairment of £6,237,000 (2020: £8,513,000). The total carrying amount of stocks pledged as security for liabilities in the year amounted to £27,165,000 (2020: £34,184,000) in relation to bank loans held by the parent company, Aero Forgings Bidco Limited (see note 17).

## Notes to the financial statements (continued)

### 16 Debtors

	2021	2020
	£000	£000
Trade debtors	14,240	10,557
Amounts owed by group undertakings	726	277
Amounts owed for group relief	-	596
Other debtors	382	141
Deferred tax assets (see note 12)	8,495	7,145
Prepayments	1,648	1,567
	<b>25,491</b>	<b>20,283</b>

Trade debtors are stated after provisions for impairment of £732,000 (2020: £413,000). Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. The total carrying amount of trade debtors pledged as security for liabilities in the year amounted to £14,240,000 (2020: £10,557,000) in relation to bank loans held by the parent company, Aero Forgings Bidco Limited (see note 17).

### 17 Creditors: amounts falling due within one year

	2021	2020
	£000	£000
<b>Due within one year</b>		
Trade creditors	10,831	10,179
Amounts owed to group undertakings (refer (i) below)	622	648
Loans from group undertakings (refer (ii) below)	-	736
Obligations under finance leases	91	90
Other creditors	223	171
Bank loans (refer (iii) below)	14,529	-
Accruals	1,579	2,300
	<b>27,875</b>	<b>14,124</b>

- (i) Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.
- (ii) The loan from group undertakings was unsecured and interest free. It was converted to share capital during 2021, see note 20 for further details.
- (iii) The bank loan relates to a loan with BNP Paribas Commercial Finance Limited. The facility covers a number of legal entities within the Group and will expire on 19 December 2022. There are two elements to the loan, a facility which is secured over the inventory of the Company for which interest is charged at LIBOR plus 2.45%, and a facility which is secured over the trade receivables of the Company for which interest is charged at LIBOR plus 1.65%. On 14 March 2022 the Company agreed a 2 year extension of the bank loan which now expires on 19 December 2024.

The amount also includes unamortised finance costs of £58,000 (2020: £117,000).

**Notes to the financial statements (continued)**

**18 Provisions for liabilities**

	<b>Warranties</b>	<b>Other provisions</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January 2021	609	407	1,016
Provisions utilised	(250)	-	(250)
<b>At 31 December 2021</b>	<b>359</b>	<b>407</b>	<b>766</b>

Other provisions include a reserve for environmental clean-up costs. These are expected to be utilised over a number of years as costs are incurred.

In 2015, the Company received a claim from a customer in relation to quality issues and a product recall for sales made in 2013. During the year the Company has utilised provisions totaling £250,000 to settle and offset claims. The remaining provisions are expected to be utilised in one to two years.

**19 Pension and other schemes**

**Money purchase scheme**

The Company operates a money purchase scheme. The contributions to this defined contribution plan charged to the profit and loss account in 2021 amounted to £1,074,000 (2020: £1,759,000).

**Notes to the financial statements (continued)**

**20 Called up share capital**

**Allotted, called up and fully paid shares**

	<b>2021</b>		<b>2020</b>	
	<b>No. 000</b>	<b>£000</b>	<b>No. 000</b>	<b>£000</b>
Ordinary shares of £1 each	<b>9,642</b>	<b>9,642</b>	8,906	8,906

The Company has one class of ordinary share capital which carry no right to fixed income.

On 1 February 2021 the Company issued 735,741 ordinary shares of £1 each for a consideration of £735,741.

**21 Obligations under leases and hire purchase contracts**

**Operating leases**

The total of future minimum lease payments is as follows

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	<b>853</b>	896
Later than one year and not later than five years	<b>1,624</b>	2,220
Later than five years	<b>149</b>	401
	<b>2,626</b>	3,517

**Finance leases**

Finance lease liabilities are payable as follows

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	<b>91</b>	90
Later than one year and not later than five years	<b>68</b>	159
	<b>159</b>	249

## Notes to the financial statements (continued)

### 22 Commitments

#### Capital commitments

The total amount contracted for but not provided in the financial statements was £1,281,000 (2020: £503,000) in relation to capital improvement projects at the manufacturing facilities.

### 23 Parent and ultimate parent undertaking

The Company is a subsidiary undertaking of Aero Forgings Bidco Limited. The ultimate controlling party is Arlington Capital Partners V L.P.

The largest group in which the results of the Company are to be consolidated is that headed by Aero Forgings Midco Limited, Dale Road North, Matlock, DE4 2JB. No other group financial statements include the results of the Company.

### 24 Creditors: amounts falling due after more than one year

	<b>2021</b>	2020
	<b>£000</b>	£000
<b>Due after one year</b>		
Obligations under finance leases	<b>68</b>	159
Bank loans	-	18,072
	<b>68</b>	18,231

**Notes to the financial statements (continued)**

**25 Notes to Cash flow statement**

	<b>2021</b>	2020
	<b>£000</b>	£000
Profit/(loss) for the financial year	577	(6,292)
Tax on loss	<b>(1,350)</b>	186
Interest	<b>846</b>	606
Depreciation of tangible fixed assets	<b>3,874</b>	3,555
Loss/(profit) on disposal of tangible fixed assets	<b>413</b>	(154)
Movements in working capital:		
Decrease in inventories	<b>7,019</b>	8,396
(Increase)/decrease in debtors	<b>(4,454)</b>	6,963
Decrease in creditors	<b>(233)</b>	(12,718)
Movement in provisions	<b>(250)</b>	(1,175)
Cash generated from/(used in) operating activities	<b>6,442</b>	(633)

**26 Analysis of changes in net debt**

	<b>At 1 January 2021</b>	<b>Cash flows</b>	<b>Non-cash changes</b>	<b>At 31 December 2021</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	828	(267)	-	561
Loans from group undertakings	(736)	-	736	-
Finance leases	(249)	90	-	(159)
Bank loans	(18,072)	3,602	(59)	(14,529)
	<b>(18,229)</b>	<b>3,425</b>	<b>677</b>	<b>(14,127)</b>

Non cash changes represent amortization of debt issue costs and conversion of debt to share capital, see note 20 for further details.

**Notes to the financial statements (continued)**

**27 Financial instruments**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Financial assets at fair value through profit or loss		-
Financial assets measured at amortised cost		
- Cash at bank and in hand	<b>561</b>	828
- Trade debtors	<b>14,240</b>	10,557
- Other debtors	<b>382</b>	141
- Amounts owed by group undertakings	<b>726</b>	277
	<b>15,909</b>	11,803
Financial assets that are equity instruments measured at cost less impairment	-	-
Financial liabilities at fair value through profit or loss	-	-
Financial liabilities measured at amortised cost		
- Trade creditors	<b>10,831</b>	10,179
- Other creditors	<b>223</b>	171
- Accruals	<b>1,579</b>	2,300
- Loans from group undertakings	-	736
- Amounts owed to group undertakings	<b>622</b>	648
- Finance leases	<b>159</b>	249
- Bank loans	<b>14,529</b>	18,072
	<b>27,943</b>	32,355