

Company registration number NI014175 (Northern Ireland)

KING AND FOWLER UK LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

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KING AND FOWLER UK LIMITED

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KING AND FOWLER UK LIMITED

BALANCE SHEET

AS AT 31 MARCH 2022

	Notes	2022 £	£	2021 £	£
Fixed assets					
Tangible assets	4		427,353		413,550
Current assets					
Stocks		117,131		47,872	
Debtors	5	985,807		576,933	
Cash at bank and in hand		26,353		148,942	
		<u>1,129,291</u>		<u>773,747</u>	
Creditors: amounts falling due within one year	6	<u>(2,309,342)</u>		<u>(1,145,514)</u>	
Net current liabilities			<u>(1,180,051)</u>		<u>(371,767)</u>
Total assets less current liabilities			<u>(752,698)</u>		<u>41,783</u>
Creditors: amounts falling due after more than one year	7		-		(46,826)
Net liabilities			<u>(752,698)</u>		<u>(5,043)</u>
Capital and reserves					
Called up share capital			191,000		191,000
Profit and loss reserves			(943,698)		(196,043)
Total equity			<u>(752,698)</u>		<u>(5,043)</u>

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

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

The financial statements were approved by the board of directors and authorised for issue on 22 December 2022 and are signed on its behalf by:

Mr S C Weston
Director

Mr W R J Rawkins
Director

Company Registration No. NI014175

KING AND FOWLER UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

Company information

King and Fowler UK Limited is a private company limited by shares incorporated in Northern Ireland. The registered office is 2-14 East Bridge Street, Belfast, BT1 3NQ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, [modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value]. The principal accounting policies adopted are set out below.

KING AND FOWLER UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

1.2 Going concern

The directors have prepared detailed profit and cash flow forecasts for the period to March 2026. These show that based on the forecast trading position and use of its currently agreed invoice discounting facility and borrowings, the group will have sufficient liquidity to meet its liabilities as they fall due.

The directors have also instructed an independent professional body complete a reverse stress test report which indicates that a significant change in fortunes would have to be suffered by the group for it not to be a going concern. There are no indicators that this would be the case, however, in such a scenario the group would be able to continue operating for a period of at least 12 months following the approval of the financial statements. In such circumstances additional options may be available to mitigate the impact on the group's liquidity and cash flow including:

- (i) further reductions in operating and capital expenditure;
- (ii) extension of debt facilities

Group revenue has grown significantly rising 36% on average per month from January 22 to September 22 (vs 12 month period January-December 21), as the Aerospace sector continues to ramp up production with pre-pandemic levels of travel now being witnessed. We are also witnessing a steady rise in build rates planned over the period covered in our forecast to higher levels than 2019. This has resulted in an increase in group sales of c£1m per month. The sharp rise in sales has naturally caused its own working capital pressures with our supply chain affected by the current global and economical market conditions. To enable us to continue to meet demand, we have secured short and medium term material supplies to support our strong orderbook.

As a result of hedging our supply chain, gross margin is forecast to rise steadily over this period via a mix of tactical and strategic contracts. We are currently in discussions with key customers relating to new work which is driving turnover growth even further. In addition to this, we are deep in to the production process to satisfy substantial purchase orders already won in the financial year March 2023. We are ahead of our sales target at the end of October 2022 with confirmed sales of £16.1m to trade out until the financial year end. In addition to this, we have further contract awards imminent and are confident of exceeding our sales forecast for 2023 of £44m.

Capital expenditure has been a key factor in supporting our growth, with £1.2m invested in the financial period ending March 2022. Further investment of over £3m has been committed for the financial year ending March 2023.

The directors have continued a regular dialogue with the lenders regarding the challenging trading environment. The lenders have agreed to capitalise contractual interest payments due September 2022 and March 2023 in order to allow the group to replenish our cash reserves and provide the organic funding we need for strategic capex and growth. Alongside this, they have agreed to waive the covenant breaches for March 2022, September 2022 and March 2023.

The group closed the financial year with net cash at bank of £2.4m. In addition, the group had £0.3m of headroom in the invoice discounting facility. We are in the process of credit approval to increase the group ID facility from £6m to £8m and to include B&H within that to generate additional liquidity.

No other financial support has been included in the forecasts, although the directors understand that the group would qualify for this support if required.

The impact of the Covid-19 pandemic has been thoroughly considered as part of the directors' review of the going concern basis of preparation. Revenue, costs and timings of cash flows have been adjusted to reflect the impact of the pandemic. The group has taken advantage of the HMRC Job Retention Scheme for those staff who have been furloughed, the deferral of VAT payments and continues to make repayments against the CBILS (Coronavirus Business Interruption Loan Scheme) taken on in March 2021.

KING AND FOWLER UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

Based on the above, the directors did not consider there to be material uncertainties regarding the going concern assessment. They also believe that the group is able to meet its liabilities as they fall due, they, and therefore it is appropriate to adopt the going concern basis of preparation for the financial statements.

1.3 Turnover

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

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

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

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

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which shall not exceed 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.5 Tangible fixed assets

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

KING AND FOWLER UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

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

Leasehold improvements	50%
Plant and equipment	15%
Office equipment	33%
Motor vehicles	33%

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

Work in progress is valued at 30% of the monthly sales orders for the month.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

KING AND FOWLER UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

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

KING AND FOWLER UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

Current tax

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

Deferred tax

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

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

1.12 Employee benefits

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

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

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

1.13 Retirement benefits

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

1.14 Leases

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

1.15 Government grants

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

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

KING AND FOWLER UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022**

2 Employees

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

	2022 Number	2021 Number
Total	50	64

3 Intangible fixed assets

	Goodwill £
Cost	
At 1 April 2021 and 31 March 2022	437,500
Amortisation and impairment	
At 1 April 2021 and 31 March 2022	437,500
Carrying amount	
At 31 March 2022	-
At 31 March 2021	-

4 Tangible fixed assets

	Land and buildings £	Plant and machinery etc £	Total £
Cost			
At 1 April 2021	98,132	1,729,835	1,827,967
Additions	-	154,505	154,505
At 31 March 2022	98,132	1,884,340	1,982,472
Depreciation and impairment			
At 1 April 2021	98,132	1,316,285	1,414,417
Depreciation charged in the year	-	140,702	140,702
At 31 March 2022	98,132	1,456,987	1,555,119
Carrying amount			
At 31 March 2022	-	427,353	427,353
At 31 March 2021	-	413,550	413,550

KING AND FOWLER UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

5 Debtors	2022	2021
	£	£
Amounts falling due within one year:		
Trade debtors	780,225	428,590
Amounts owed by group undertakings	71,239	4,679
Other debtors	134,343	143,664
	<u>985,807</u>	<u>576,933</u>
	<u><u>985,807</u></u>	<u><u>576,933</u></u>
6 Creditors: amounts falling due within one year	2022	2021
	£	£
Trade creditors	374,710	306,471
Amounts owed to group undertakings	852,804	392,075
Taxation and social security	190,291	284,340
Other creditors	891,537	162,628
	<u>2,309,342</u>	<u>1,145,514</u>
	<u><u>2,309,342</u></u>	<u><u>1,145,514</u></u>
7 Creditors: amounts falling due after more than one year	2022	2021
	£	£
Taxation and social security	-	46,826
	<u>-</u>	<u>46,826</u>
	<u><u>-</u></u>	<u><u>46,826</u></u>

8 Audit report information

As the income statement has been omitted from the filing copy of the financial statements, the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.

Other matter

In the previous accounting period the directors of the company took advantage of audit exemption under s477 of the Companies Act. Therefore the prior period financial statements were not subject to audit

The senior statutory auditor was Paul Locker and the auditor was MHA Moore and Smalley.

KING AND FOWLER UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

9 Financial commitments, guarantees and contingent liabilities

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

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

10 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

	2022	2021
	£	£
	1,472,737	1,642,669
	<u>1,472,737</u>	<u>1,642,669</u>

11 Related party transactions

Transactions with related parties

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

	Management charges	
	2022	2021
	£	£
Directors	22,680	49,350
	<u>22,680</u>	<u>49,350</u>

12 Parent company

The company's immediate parent company is K&F Industries Limited. The parent company was purchased on 15 January 2021 by ASG Aerospace Limited to form part of a larger group. The ultimate parent company of King and Fowler UK Limited Limited is Pasargad 1 Limited.

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

The ultimate controlling party of King and Fowler UK Limited is Said Amin Amiri, who is the sole shareholder of Pasargad 1 Limited, the General Partner of Amiri Assets III LP, which has the majority of the voting rights of Aero Services Global Group Limited.

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