

**Fircroft Engineering Services Holdings Limited**

Annual report and financial  
statements

Registered number 08079020  
28 February 2023



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## Company information

<b>Company registration number:</b>	08079020
<b>Registered office:</b>	One New Ludgate 60 Ludgate Hill London EC4M 7AW
<b>Directors:</b>	G Andrews M Cohen P A Gore-Randall J M Johnson J J Johnson A Tomkinson
<b>Secretary:</b>	L Morrison
<b>Banker:</b>	HSBC 4 Hardman Square Manchester M3 3EB
<b>Solicitor:</b>	DLA Piper LLP One St Peter's Square Manchester M2 3DE
<b>Auditor:</b>	DJH Mitten Clarke Audit Limited St Georges House 56 Peter St Manchester M2 3NQ

## Strategic Report

### Principal activities

The principal activity of Fircroft Engineering Services Holdings Limited (the Company) is to act as a holding company of a group of companies that is engaged in provision of workforce development, labour hire, recruitment, animated training technology and production improvement solutions to the mining, gas resources and civil industries.

### Accounting reference date

During the year, as allowed under section 392 of the Companies Act 2006, the Company extended its current accounting reference date from 31 August 2022 to 28 February 2023. Accordingly, the accompanying financial statements have been prepared for a period from 1 September 2021 to 28 February 2023 with comparative information stated as financial year of 1 September 2020 to 31 August 2021.

### Financial performance

	1 Sep 2021 to 28 Feb 2023 £000	1 Sep 2020 to 31 Aug 2021 £000	Movement %
Net interest expense	8,633	5,085	65%
Net liabilities	(55,801)	(55,922)	N/A

The key performance indicators (KPIs) used by the Company are net interest expense and net liabilities. Increase in net interest expense is mainly due to interest accrued on Loan notes "A" and "C" that has been capitalised during the period. Decrease in net liabilities is mainly due to profit of £121,000 made during the period.

### Strategy and future development

The future activities of the Company remain that of an investment holding company, with future economic benefits to be realised from its investments in its subsidiaries.

### Financial risk management objectives and policies

The Company uses various financial instruments which include cash, shareholder loan notes and other instruments that arise directly from its operations, such as debtors and creditors. The main purpose of these financial instruments is to raise finance for the Company's operations.

The main risks arising from the Company's financial instruments are liquidity risk and interest rate risk. The Company is not exposed to any significant foreign currency risk as most of its assets and liabilities are denominated in Pound Sterling (£). The Company does not have any significant financial assets other than cash at bank with major high street banks for which credit risk is considered immaterial. The directors review and agree policies for managing each of these risks and they are summarised below.

## Strategic Report *(continued)*

### Liquidity risk

The Company seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Company is primarily financed shareholder loan notes due to expire greater than 12 months after the balance sheet date. The board of directors (the Board) closely monitors the levels of facilities drawn ensuring compliance with all covenant requirements.

### Interest rate risk

As the Company finances its operations through shareholder loan notes, no hedging of interest rate risk is undertaken.

The interest rate exposure of the financial assets and liabilities of the Company as at 28 February 2023 is shown in the table below. The table includes trade debtors and creditors although these do not attract interest.

	Interest rate		
	Fixed £000	Zero £000	Total £000
<b>Financial assets</b>			
Cash	-	8	8
	<u>-</u>	<u>8</u>	<u>8</u>
	<u>-</u>	<u>8</u>	<u>8</u>
<b>Financial liabilities</b>			
Shareholder loan notes	75,192	-	75,192
Directors loan accounts	5,798	-	5,798
Other loans	3,996	-	3,996
Trade creditors	-	2	2
Other creditors	-	48	48
	<u>84,986</u>	<u>50</u>	<u>85,036</u>

### Principal risks and uncertainties

Other than the financial risks that are discussed above, the Board considers that there are no other principal risks to the Company in achieving its strategic objectives.

### War in Ukraine

In February 2022, the Russian Federation invaded Ukraine, which triggered the start of a period of global economic uncertainty and the establishment of new sanctions against the Russian Federation and Belarus. The Company has no exposure to the countries concerned nor is it impacted by sanctions. The Company is impacted by the inflationary effect that the reduced import of energy from the Russian Federation has on general price levels worldwide. The Company's current period operational result was impacted only modestly by inflation.

### Significant events since the end of the financial year

The Company has no post balance events to disclose.

## Strategic Report *(continued)*

### Statement by the directors of their statutory duties in accordance with Section 172(1) of the Companies Act 2006

The directors of the company must act in accordance with a set of general duties. These duties are detailed in section 172(1) (a) to (f), described below.

During the year, the directors have focused attention on how to deliver the best outcomes in order to promote the success of the Company for the benefit of the shareholders by taking a proactive approach to the management of all stakeholders including employees, customers, suppliers and the broader community. The proactive approach can be evidenced as follows:

- Directors meet monthly as part of the corporate board to discuss the market and trading updates, customer relationships, employee matters and other factors affecting the company, and to take any decisions around communications to key stakeholders including employees.
- Directors are regularly provided with updates on key customer relationships and are actively engaged in new and changing customer contract activity including emerging trends and incorporating feedback from customers and contractors when setting and reviewing the company strategy.
- Regular forecasting, planning and cash updates are provided, to ensure that decisions taken focus on both the short and long term liquidity of the Company.
- The directors take reasonable steps to ensure the culture of the Company is being approached with an appropriate mindset. This is aligned to the strategy of the Company outlined above.
- The directors ensure the Company acts fairly to all members of the Company, including holders of all classes of shares and minority shareholding groups.

As part of the director induction process, a newly appointed director is briefed on their duties and they can access professional advice on these from the company secretary.

The directors are satisfied that S172 requirements have been performed to a high standard and in line with the code of conduct of all employees.

By order of the Board



G Andrews  
Director

2 November 2023

## Directors' Report

The directors present their report together with the audited financial statements for the period ended 28 February 2023.

### Directors

The directors who served during the year and as at the date of this report are set out below. All directors served throughout the year unless otherwise stated:

G Andrews  
M Cohen  
P A Gore-Randall  
J J Johnson  
J M Johnson  
S O'Hare (resigned 26 November 2021)  
A Tomkinson

### Business review

The Company's profit for the year after taxation amounted to £121,000 (2021: loss of £20,251,000). The directors did not declare or pay any dividends (2021: £nil).

### Going concern

The directors have prepared the financial statements on a going concern basis which they consider to be appropriate. Further details are included within principal accounting policies.

### Streamlined Energy and Carbon Reporting

The Company has limited operations in the UK and is therefore a low energy user (40,000 kWh or less over the reporting period) in the UK. As such, information on energy and carbon in relation to the requirements in the UK government's streamlined energy and carbon reporting ("SECR") framework has not been provided on the basis that information relating to non-UK subsidiaries are not obliged to report in their own right under SECR.

### Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic report on page 1.

### Qualifying third-party indemnity provision

During the year, a qualifying third-party indemnity provision was in force for the directors.

### Employee involvement

The Company has continued its practice of keeping employees informed of matters affecting them as employees, as well as the financial and economic factors affecting the performance of the Company. This is done by a combination of the Company's own intranet site, internal newsletters, emails and employee presentations.

### Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Company may continue. It is the policy of the Company that training, career development and promotion opportunities should be available to all employees.

## Directors' Report *(continued)*

### Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that;

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the Board



G Andrews  
Director  
2 November 2023

One New Ludgate  
60 Ludgate Hill  
London  
EC4M 7AW

## **Directors' responsibilities statement in respect of the annual report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 Company's profit or loss for that period. In preparing the Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## **Independent auditor's report to the members of Fircroft Engineering Services Holdings Limited**

### **Opinion**

We have audited the financial statements of Fircroft Engineering Services Holdings Limited (the 'Company') for the period ended 28 February 2023 which comprise the income statement, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2023 and of its gain for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Independent auditor's report to the members of Fircroft Engineering Services Holdings Limited (continued)**

### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including legislation such as the Companies Act 2006, taxation legislation, data protection, employment, and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations through making enquiries of management and reviewing legal and professional fee invoices and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team and the audit team remained alert to instances of non-compliance throughout the audit.

## **Independent auditor's report to the members of Fircroft Engineering Services Holdings Limited (continued)**

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries posted during the period and at the period end to identify unusual transactions and agreed to underlying supporting documentation;
- investigated the rationale behind significant or unusual transactions; and
- performed walkthrough tests on major transaction cycles; and

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims;
- reviewing correspondence with regulators; and
- reviewing legal and professional fees incurred during the period to identify any potential indications of non-compliance with laws and regulations.

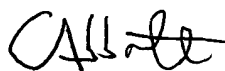
There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **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.



**Christopher Abbott FCA (Senior Statutory Auditor)**  
**For and on behalf of DJH Mitten Clarke Audit Limited**

2 November 2023

**Chartered Accountants**  
**Statutory Auditor**

St George's House  
56 Peter Square  
Manchester  
M2 3NQ

## Profit and Loss Account

For the period ended 28 February 2023

	<i>Note</i>	1 Sep 2021 to 28 Feb 2023 £000	1 Sep 2020 to 31 Aug 2021 £000
Administrative expenses (including exceptional costs of £858,000 (2021: £14,619,000))	2	<u>(2,245)</u>	<u>(15,125)</u>
<b>Operating loss</b>		<b>(2,245)</b>	<b>(15,125)</b>
Interest receivable and similar income from group undertakings		964	711
Interest payable and similar charges	3	(9,598)	(5,796)
Other items		-	27
Fair Value gains and losses on other investments	6	<u>11,000</u>	<u>-</u>
<b>Profit/(loss) before taxation</b>	<b>1</b>	<b>121</b>	<b>(20,237)</b>
Taxation	5	-	(14)
<b>Profit/(loss) for the financial year</b>		<u><b>121</b></u>	<u><b>(20,251)</b></u>

All amounts relate to continuing operations.

There are no items of other comprehensive income in the current or prior period, therefore no separate statement of other comprehensive income has been presented in these financial statements.

The accompanying notes form integral part of the financial statements.

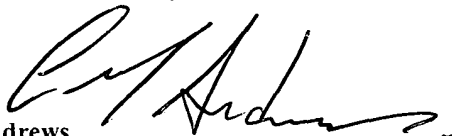
## Balance Sheet

As at 28 February 2023

	<i>Note</i>	28 Feb 2023 £000	31 Aug 2021 £000
<b>Fixed assets</b>			
Other investments	6	29,206	18,206
<b>Current assets</b>			
Debtors: amounts falling due within one year	7	24	2
Cash and bank		8	18
		<u>32</u>	<u>20</u>
<b>Creditors: amounts falling due within one year</b>	8	<u>(9,847)</u>	<u>(7,736)</u>
<b>Net current liabilities</b>		<u>(9,815)</u>	<u>(7,716)</u>
<b>Total assets less current liabilities</b>		19,391	10,490
<b>Creditors: amounts falling due after more than one year</b>	9	<u>(75,192)</u>	<u>(66,412)</u>
<b>Net liabilities</b>		<u>(55,801)</u>	<u>(55,922)</u>
<b>Capital and reserves</b>			
Share capital	11	112	112
Share premium	12	81,220	81,220
Merger reserve	12	597	597
Other reserve	12	14,923	14,923
Profit and loss account		<u>(152,653)</u>	<u>(152,774)</u>
<b>Shareholder's deficit</b>		<u>(55,801)</u>	<u>(55,922)</u>

The accompanying notes form integral part of the financial statements.

The financial statements were authorised and approved by the Board of Directors on 2 November 2023 and were signed on its behalf by:

  
G Andrews  
Director  
Fircroft Engineering Services Holdings Limited  
Company registered number: 08079020

## Statement of Changes in Equity

As at 28 February 2023

	Called up Share capital £'000	Share Premium account £'000	Merger relief reserve £'000	Other reserves £'000	Profit & loss account £'000	Total shareholder's equity £'000
<b>At 1 September 2020</b>	112	81,220	597	14,923	(132,523)	(35,671)
Loss and total comprehensive expense for the financial year	-	-	-	-	(20,251)	(20,251)
<b>At 31 August 2021</b>	<u>112</u>	<u>81,220</u>	<u>597</u>	<u>14,923</u>	<u>(152,774)</u>	<u>(55,922)</u>
Profit and total comprehensive income for the period	-	-	-	-	121	121
<b>At 31 August 2021</b>	<u>112</u>	<u>81,220</u>	<u>597</u>	<u>14,923</u>	<u>(152,653)</u>	<u>(55,801)</u>

The accompanying notes form integral part of the financial statements.

## Cash Flow Statement

For period ended 28 February 2023

		1 Sep 2021 to 28 Feb 2023	1 Sep 2020 to 31 Aug 2021
	<i>Note</i>	£000	£000
<b>Net cash flows from operating activities</b>			
Profit/(loss) for the period/year		121	(20,251)
Net valuation adjustment in respect of financial assets and liabilities	2, 6	(10,142)	13,737
Loss on disposal of investments		-	27
Net interest payable	3	8,466	4,967
Withholding tax		10	-
		<u>(1,545)</u>	<u>(1,520)</u>
Increase in debtors		(22)	(2)
(Decrease)/increase in creditors		(61)	104
		<u>(1,628)</u>	<u>(1,418)</u>
Interest received		95	-
<b>Net cash flows from operating activities</b>		<u>(1,533)</u>	<u>(1,418)</u>
<b>Net cash flows from financing activities</b>			
Increase in other loans		1,523	1,436
<b>Net cash flows from financing activities</b>		1,523	1,436
(Decrease)/increase in cash and cash equivalents in the period/year		(10)	18
Cash and cash equivalents at beginning of period/year		18	-
<b>Cash and cash equivalents at end of the period/year.</b>		<u>8</u>	<u>18</u>

## Principal accounting policies

### *Accounting Policies*

Fircroft Engineering Services Holdings Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK.

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

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are set out in note 14.

### *Measurement convention*

The financial statements are prepared on the historical cost basis except for financial instruments which are classified at fair value through the profit or loss.

### *Going concern*

The Company’s business activities, together with the factors likely to affect its future development, performance and position are set out in the directors’ report and the strategic report. The Company’s objectives, policies, and processes for managing its capital, and its financial risk management objectives and policies are also set out in the directors’ report and the strategic report.

As at 28 February 2023, the Company has net liabilities of £55,801,000, net current liabilities of £9,815,000 and recorded a profit in the period of £121,000.

The Company is financed by a loan facility with NES Fircroft Limited which at 28 February 2023 amounted to £3,996,000. The repayment of this loan is triggered on the ultimate listing or sale of shares in FESHL which is not forecast to occur in the period assessed for going concern (to 30 November 2024).

As at 28 February 2023, the total principal and unpaid accrued interest of the Equistone A loan notes & Equistone Payment in Kind (‘PIK’) loan notes was £60,401,000 and C loan notes £14,791,000. As at the balance sheet date the notes together with the associated interest were repayable in the period to 31 October 2025. Other shareholder loan notes of £5,798,000 were in issue, the principal and associated interest in respect of these notes were repayable on demand. The other shareholder loan provider has separately confirmed that repayment of this loan will not be requested for at least 12 months from the date of the signing of these statutory accounts.

The Company has prepared forecasts for the period to 28 February 2024 which consider the Company’s existing debt levels, the committed funding and liquidity positions and access to loan funding facility with NES Fircroft Limited. These forecasts show that taking account of reliance on shareholder loans and debt, the Company will be able to operate within the level of its bank facilities.

The Directors’ confidence in the Company’s forecasts supports the preparation of the financial statements on a going concern basis.

After considering all available information, the Directors have concluded that it is appropriate for the Financial Statements to be prepared on a going concern basis and therefore the Financial statements do not include any adjustments that might be required if the Company were unable to continue as a going concern.

## Principal accounting policies (continued)

### *Other investments*

Other investments are measured at cost less impairment in the profit and loss account.

### *Foreign currency*

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

### *Classification of financial instruments issued by the Company*

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

### *Basic financial instruments*

#### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

#### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balance with Banks.

### *Impairment of assets*

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

## Principal accounting policies (continued)

### *Non-financial assets*

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units (CGUs) of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis. Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value would have been had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

### *Financial assets*

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

### *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 entity after deducting all of its financial liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classified as financial liabilities in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Compound instruments comprise both a liability and an equity component. At date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar debt instrument. The liability component is accounted for as a financial liability. The value of this instrument is measured at each year end with the movement being charged to interest.

The interest expense on the liability component is calculated by reassessing the fair value for the liability component of the instrument at each balance sheet date. The difference between this amount and any repayment is added to the carrying amount of the liability in the balance sheet.

## **Principal accounting policies (continued)**

### ***Interest receivable and Interest payable***

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

### ***Taxation***

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be eligible taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### ***Exceptional items***

Income or costs that are both material and non-recurring, whose significance is sufficient to warrant separate disclosure in the financial statements, are referred to as exceptional items. These are included and separately identified within their relevant profit and loss account category.

Where amounts recur in more than one accounting period but warrant separate presentation due to nature, they are also included as exceptional items.

## Notes

### 1 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is attributable to the principal activities of the Company and is stated after charging/(crediting):

	1 Sep 2021 to 28 Feb 2023 £000	1 Sep 2020 to 31 Aug 2021 £000
Auditor's remuneration	12	125
Impairment of financial assets and liabilities (note 2)	858	14,619

### 2 Exceptional items

In the period to 28 February 2023, exceptional items include the impairment of interest receivable amounting to £858,000 from a former related group undertaking, One Key Resources Technical Services UK Limited as the entity was placed into liquidation on 27 February 2023.

In the year to 31 August 2021, exceptional items consisted of an impairment charge of £13,737,000 relating to intercompany balances no longer considered recoverable and corporate restructuring costs of £882,000.

### 3 Interest payable and similar charges

	1 Sep 2021 to 28 Feb 2023 £000	1 Sep 2020 to 31 Aug 2021 £000
Interest on shareholder loan notes	8,782	5,285
Interest on directors' loan accounts	648	393
Interest on borrowing from related party	168	118
	<b>9,598</b>	<b>5,796</b>

### 4 Directors and employees

The Company has three employees (2021: three).

	1 Sep 2021 to 28 Feb 2023 £000	1 Sep 2020 to 31 Aug 2021 £000
Remuneration in respect of directors was as follows:		
Wages and salaries	103	114
	<b>103</b>	<b>114</b>

The directors do not participate in a defined contribution pension scheme.

**Notes (continued)**

**4 Directors and employees (continued)**

	1 Sep 2021 to 28 Feb 2023 £000	1 Sep 2020 to 31 Aug 2021 £000
Remuneration in respect of the highest paid director was as follows:		
Emoluments	<u>82</u>	<u>64</u>

**5 Tax on profit on ordinary activities**

In the UK, a rate of 19% is currently in force in accordance with Finance Act 2020. Finance Act 2021 was substantively enacted before the balance sheet date and increases the UK corporation tax rate to 25% from 1 April 2023. This has no impact on the Tax position of the Company as no Deferred tax has been recognised on the balance sheet.

	1 Sep 2021 to 28 Feb 2023 £000	1 Sep 2020 to 31 Aug 2021 £000
<b>Current tax</b>		
Current tax for the year	-	14
Total current tax	<u>-</u>	<u>14</u>
<b>Deferred tax</b>	-	-
Total tax	<u>-</u>	<u>14</u>

## Notes (continued)

### 5 Tax on profit on ordinary activities (continued)

#### Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 19% (2021: 19%). The differences are explained as follows:

	1 Sep 2021 to 28 Feb 2023	1 Sep 2020 to 31 Aug 2021
	£000	£000
Profit/(loss) for the period/year	121	(20,237)
Total tax expense	-	(14)
	121	(20,251)
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 19.00% (2021: 19.00%)	23	(3,845)
Effect of:		
Non-deductible expenses and non-taxable income	(30)	3,824
Unrelieved foreign tax	-	14
Losses arising in the year not recoverable against current tax	7	21
	-	14
Total tax expense included in profit or loss	-	14

### 6 Fixed assets – other investments

	Cost	Accumulated impairment	Net book value
10% interest in NES Fircroft Group Limited (NESF)			
At 1 Sep 2021	18,206	-	18,206
Additions / (impairment charge for the period)	-	-	-
Increase in valuation	11,000	-	11,000
At 28 February 2023	29,206	-	29,206

The net book value of the above investment as at 31 August 2021 was £18,206,000.

Management have assessed the fair value of the Company's 10% investment in NESF as at 28 February 2023. Key inputs and assumptions used in management's calculation included the LTM EBITDA and net debt of the NES Fircroft group as at 28 February 2023 based on available management accounts, average comparator EBITDA multiples adjusted downwards by a range of 10-20% to reflect the fact that the company holds a non-controlling interest in NES Fircroft Group Limited, providing a relevant multiple range of 5.3 – 6.6 and a valuation of £22m - £34m. Management acknowledge there is a level of estimation and judgment in arriving at an appropriate valuation. An increase in the fair value of the investment of £11,000,000 has been recorded.

### 7 Debtors: amounts falling due within one year

Debtors represent prepaid expenses of £24,000 as at 28 February 2023 (2021: £2,000).

**Notes (continued)**

**8 Creditors: amounts falling due within one year**

	2023	2021
	£000	£000
Directors loan accounts	5,798	5,149
Other loans	3,996	2,473
Social security and other taxes	3	6
Accruals	48	108
Trade creditors	<u>2</u>	<u>-</u>
	<u>9,847</u>	<u>7,736</u>

A Director loan note of £4,000,000 is in issue, the principal and associated interest in respect of this note were repayable on demand. The total principal and accrued interest as at 28 February 2023 was £5,798,000 (2021: £5,149,000). Interest is accrued at 8% (2021: 8%) on this loan.

Other loans represent a loan facility with NES Fircroft Limited of which £3,996,000 was drawn at the year end (2021: £2,473,000). The repayment of this loan is triggered on the ultimate listing or sale of shares in the Company. The loan carries interest rate of 5% (2021: 5%).

**9 Creditors: amounts falling due after more than one year**

	2023	2021
	£000	£000
Shareholder "A" loan notes	60,401	53,653
Shareholder "C" loan notes	14,791	12,759
	<u>75,192</u>	<u>66,412</u>

The two classes of loan notes ("A" and "C") are subject to a fixed interest rate of 8% and 10% respectively. To date no repayment of the loan notes has occurred and the capital and interest accrued was renegotiated as part of the refinancing project, completed on 12 September 2019. At the balance sheet date the loan notes were due for repayment on 31 October 2025. Both classes accrue interest which is compounded into the capital amount outstanding and is payable on redemption of the loan notes. The 'A' loan note interest may be satisfied by the Company in the form of Payment in Kind (PIK) notes. Neither loan notes carry any entitlement to a dividend. The loan notes are shown net of issue costs of £nil (2021: £nil).

Note also that the directors consider that the "A" Ordinary shares (note 11) are a compound instrument consisting of both a debt and equity element. The debt element represents the fair value of the Company's obligation to pay dividends on the "A" Ordinary shares. This was measured on issue of the instrument and is being measured subsequently at each period end. The liability at 28 February 2023 was estimated at £nil (2021: £nil).

The company does not hold any long-term bank loans.

## Notes (continued)

### 10 Financial instruments

Other than “Fixed assets – other investments” all assets shown on the balance sheet are considered to be financial assets with their corresponding carrying values also shown either on the balance sheet or in notes to the financial statements. Other than “Accruals” all liabilities shown on the balance sheet are considered to be financial liabilities with their corresponding carrying values also shown either on the balance sheet or in notes to the financial statements.

### 11 Share capital

	2023	2023	2021	2021
	Number	£000	Number	£000
<b>Allotted, called up and fully paid</b>				
"A" Ordinary shares of £0.10 each	370,000	37	370,000	37
"B" Ordinary shares of £0.10 each	458,113	46	458,113	46
"C" Ordinary shares of £0.10 each	136,904	14	136,904	14
"D" Ordinary shares of £0.10 each	34,983	3	34,983	3
"E" Ordinary shares of £0.14 each	81,450	11	81,450	11
"F" Ordinary shares of £0.0001 each	8,650,000	1	8,650,000	1
"Z" Ordinary shares of £0.0001 each	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
	<u>9,831,450</u>	<u>112</u>	<u>9,831,450</u>	<u>112</u>

“A” to “C” and “E” shares carry equal voting rights. “D”, “F” and “Z” shares carry no voting rights.

On winding up of the business or exit sale, the “A” to “D” and “Z” shares would have priority over all other classes of shares for the amount equal to any arrears and accruals of unpaid dividends but not for the underlying value. The “F” shares would rank next in priority with a maximum value of £1 to be paid per share. The maximum value of £1 per share is limited to the extent that holders of F shares who also own other classes of shares do not receive consideration for their F shares in the amount that they receive for that other equity. The F Shares are accounted for as a share-based payment settled in the equity of the company and the value of the shares is charged to the profit and loss account up to the period of anticipated vesting.

After this all other classes of shares would rank pari passu.

The “C” Ordinary shares benefit from a ratchet arrangement, whereby the entitlement to proceeds on an exit of that class of share, increase by 5% subject to agreed levels of capital return. The ratchet arrangement would dilute the entitlement of the “A” Ordinary shares only.

On the 12 September 2019 100,000 £0.0001 (“Z” Ordinary shares) were issued for a value of £10 as part of the refinance, hence share premium arose as detailed in note 12. The “Z” Ordinary shares include a clause in relation to the exit proceeds achieved on exit. If the sales proceeds are equal or greater than the Z hurdle (being £300,000,000) then the shares shall entitle the holders to receive any balance of exit proceeds as are applied to the “A” to “D” shares in priority of the waterfall detailed in the Articles of Association.

## Notes (continued)

### 12 Other reserves

The share premium reserve contains the premium arising on issue of equity shares, net of issue costs as a result of the issue of Z shares referred to above.

The merger relief reserve contains the premium arising on issue of equity shares as part or full consideration for acquisitions and includes the losses or gain on write off of shareholder debt. Other reserves include the initial recognition of the compound instrument and accrued interest on the A loan notes of £16,063,000 which was cancelled as part of the refinance completed in September 2019. Subsequent adjustments to the fair value of the compound instrument have been recorded directly in the profit and loss account.

### 13 Transactions with directors and related parties

Total compensation of key management personnel including directors in the period amounted to £103,000 (2021: £114,000). Other related party transactions during the year are disclosed below.

- i. Directors fees of £55,369 (2021: £46,141) have been paid to Equistone Partners Europe, a shareholder in the Company. Amounts payable at 28 February 2023 were £18,456 (2021: £27,685).
- ii. The amount due to Equistone against the loan notes was £75,192,499 (2021: £66,411,770). Interest charged in the year was £8,780,730 (2021: £5,286,169).
- iii. The loan due to Mr. Johnathan Johnson was £5,797,881 (2021: £5,149,415). Interest charged in the year was £648,465 (2021: £392,199)
- iv. The loan due to NES Fircroft Limited was £3,996,000 (2021: £2,473,000). Interest charged during the period was £168,000 (2021: £118,000).

### 14 Accounting estimates and judgements

In the application of the Company's accounting policies (see Principal Accounting Policies on pages 14 to 17), the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### *Critical judgements in applying the Company's accounting policies*

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### *Fair Value of investments*

Investments are measured using the fair value model and as such requires judgement from the directors. The valuation has been based on key inputs and assumptions used in managements' calculation including the LTM EBITDA and net debt of the NES Fircroft group as at 28 February 2023 based on available management accounts, average comparator EBITDA multiples.

#### *Impairment of assets*

The Company makes an estimate of the recoverable value of its assets. When assessing the valuation, management considers factors including future income streams the assets will generate, expected returns from future sale that may cast doubt over the carrying value of the asset and future economic environment.

## Notes (continued)

### 14 Accounting estimates and judgements (continued)

#### *F Shares*

An equity-settled share-based credit has been recorded representing management's best estimate of amounts payable to F shareholders on a future sale of the business spread over the service period of the holders. Judgement has been exercised by management in determining the date of any future sale of the business.

#### *Exceptional items*

In determining the appropriate presentation of the Company's profit and loss account the directors are required to form judgements over the nature of certain items of expenditure and income to determine whether or not separate presentation is required and appropriate. The accounting policy for these items is set out in the principal accounting policies note.

### 15 Ultimate controlling party

In the opinion of the directors, there is no one single controlling party of the Company.