

Company registration number NI614238 (Northern Ireland)

K & F INDUSTRIES LIMITED

UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

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K & F INDUSTRIES LIMITED

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K & F INDUSTRIES LIMITED

BALANCE SHEET

AS AT 31 MARCH 2022

	Notes	2022 £	£	2021 £	£
Current assets					
Debtors	3	100		100	
		<u>100</u>		<u>100</u>	
Net current assets			100		100
			<u>100</u>		<u>100</u>
Capital and reserves			-		-
Called up share capital			100		100
			<u>100</u>		<u>100</u>

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

For the financial year ended 31 March 2022 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

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

The member has not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

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 22/12/2022 and are signed on its behalf by:

Simon Weston

.....
Mr S C Weston
Director

WRJ Rawkins

.....
Mr W R J Rawkins
Director

Company Registration No. NI614238

K & F INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

Company information

K & F Industries 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. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

K & F Industries Limited is a wholly owned subsidiary of ASG Investments 10 Limited and the results of ASG Investment 10 Limited are included in the consolidated financial statements of Aero Services Global Group Ltd which are available from C/O A2e Industries, No.1 Marsden Street, Manchester, England, M2 1HW.

K & F INDUSTRIES 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 until March 2023. 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 38% 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 throughout 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 22 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.

K & F INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

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.

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 Profit and loss account

The company has not traded during the year or the preceding financial period. During this time, the company received no income and incurred no expenditure and therefore no Profit and loss account is presented in these financial statements.

1.4 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 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.

1.5 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.

2 Employees

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

	2022 Number	2021 Number
Total	3	3

K & F INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

3 Debtors

	2022	2021
	£	£
Amounts falling due within one year:		
Other debtors	100	100
	<u>100</u>	<u>100</u>

4 Parent company

The company's immediate parent company is ASG Investments 10 Limited. The company was purchased on 15 January 2021 by ASG Aerospace Limited to form part of a larger group. The ultimate parent company of K & F Industries 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 K & F Industries 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.