

Registered Number: 00863383

KILLINCHY AEROSPACE HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023



KILLINCHY AEROSPACE HOLDINGS LIMITED

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KILLINCHY AEROSPACE HOLDINGS LIMITED

COMPANY INFORMATION

DIRECTORS

J S Martin, CBE, BAI, BA
J W Martin, CBE, FEng, MA BAI, FRAeS, CEng
R J Martin, BEng (Hons), MSC (Eng), CEng, MIMechE
A J Martin, BA (Hons)
D D Hess
C M Burrell
A Barrington
R K Morgan
P R Cragg

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KILLINCHY AEROSPACE HOLDINGS LIMITED**STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2023**

The directors present the Strategic Report of Killinchy Aerospace Holdings Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 March 2023.

Review of the business and future developments

The results for the Group for the year and the financial position at the year-end are set out on pages 13 to 14 of these consolidated financial statements.

Below are the key performance indicators in each of the last three financial years that are reviewed by senior management.

	2020/21 £m	2021/22 £m	2022/23 £m
Order Intake ¹	276.8	411.6	372.7
Closing Order Book ¹	479.9	588.3	666.7
Pre-tax Operating Cash Flow ²	80.5	101.2	71.2
Inventory ³	145.8	141.0	170.7

1 Order Intake and Order Book

The directors closely monitor the value of order intake each month and the overall value of the order book, as these are good indicators of the future state of the Group. With most of the Group's turnover derived from the main operating subsidiary, Martin-Baker Aircraft Company Limited, the figures above reflect only this entity's numbers. The figures for the order intake include multi-year orders, not all of which will ship in the next financial year.

Last year, the directors stated that the level of the Group's order book meant that they were expecting turnover for this year to be higher than that of the previous year, noting that it may be negatively impacted by ongoing global supply chain challenges. These challenges persisted and customer arrears increased significantly during the year resulting in a fall in turnover of £3.8m year on year. On time delivery remains a key focus of the business and the directors aim to improve position going into 2023/24.

The profile of the order book currently means that the directors expect the revenue during the coming year to be higher than the current year. However, this is reliant on the Group's suppliers' capacity to meet demand which management will continue to monitor closely and management's ability to mitigate future supply chain issues.

2 Operating Cash Flow

The directors regard the operating cash flow as a good indicator of the Group's health. The pre-tax operating cash flow has decreased predominantly due to cash tied up in inventory as customer arrears have increased significantly during the year. The directors regard this level of cash flow as satisfactory and will continue to invest in R&D and operational capabilities as deemed appropriate.

3 Inventory

Inventory levels have increased due to a combination of delays in shipments caused by supply chain constraints and the Group's inventory management strategy. The numbers above are for all subsidiaries within the Group.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group, and how these are mitigated, are listed below.

Loss of a single source supplier

The Group is reliant upon a range of single/sole source suppliers. In the event that they are no longer able to supply the Group, it will affect production timescales and it may not be possible to meet agreed delivery schedules. These risks are exacerbated by the current challenges in the global supply chain.

Stock buffers are held where required and appropriate. The Group continues to develop close working relationships with suppliers to ensure early warning signs of failure are disclosed and that their business continuity planning capabilities are sufficient.

KILLINCHY AEROSPACE HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

Principal risks and uncertainties (continued)

Failure to comply with Health and Safety requirements

A safety defect has the potential to result in injury or death to seat occupants, bystanders and our employees. Failure to maintain high HSE standards could result in breach of regulations, financial loss and reputational damage. Financial penalties in respect of HSE incidents may also be incurred.

A Product Safety Committee exists with accountability for identification and management of risk. Risk assessments are conducted in support of the health and safety surveillance process and overseen by the Health and Safety Committee. Internally, health and safety training is provided at an early stage of an individual's employment. Training is refreshed as required.

Recruitment and knowledge transfer of skilled employees

The Group employs a large number of highly experienced and knowledgeable employees. There is a risk of loss of knowledge or capability if these employees leave and the Group may not be able to recruit sufficiently skilled replacements.

A succession planning process is in place along with department skills matrices and the focus on cross-skilling has been increased.

Ineffective programme execution

The inability to successfully deliver programmes in line with the agreed customer requirements may result in cost overruns, loss-making contracts, contractual disputes and reputational damage. Ineffective project delivery may also expose the Group to long-term obligations including legal action and additional costs to remedy solution shortfalls.

There is a dedicated programme management team in place to ensure successful delivery of projects. Regular, consistent communication is mandated with the customer to ensure each milestone schedule is safeguarded from overall delays. Both the customer and the Group are engaged and invested in the successful delivery of programmes.

Foreign exchange

The Group's revenues are geographically diverse (see note 4). The Group has limited vulnerability to a weakness in any one country's economy. The level of revenues and/or the Group's profitability can, however, be affected by exchange rate fluctuations. The variation of Sterling against the US Dollar and Euro during the year resulted in a gain on exchange of £1.4 million (2022: loss of £2.5 million). This has been added to net operating expenses (see note 5). Large, non-GBP sales contracts are generally hedged to mitigate this risk.

Inflationary pressures

The Group is currently experiencing elevated levels of inflation and a reduction in future cost predictability. In addition, the Group has long term customer contracts where the price may not increase in line with inflation. Failure to manage such increases may result in lower profitability, or certain contracts becoming loss making, if underlying cost movements cannot be passed on to the customer.

There are regular reviews of cost increases, and the Group is in constant communication with its customers and suppliers regarding inflationary pressures. Customer quote and price list validity periods are also being monitored.

IT systems and Cyber-security

As a key supplier in the defence industry's supply chain, we must ensure that the organisation's security meets governments' and other relevant requirements worldwide. The Group faces cyber-security and related risks which are key areas of critical importance for all businesses, particularly for those involved in the defence and security sector. A breach of data security, cyber-attacks or IT systems failure, leading to loss of customer or company information could have an adverse impact on our reputation, customer confidence and operational delivery.

We employ a holistic security threat approach through addressing the risk in the Information and Cyber space. Our changing and increasingly sophisticated threat environment is continuously reviewed, using appropriate tools and techniques, as part of our overarching security strategy such that new and emerging threats are removed or mitigated.

Stakeholder Engagement

The directors of the Group and Company must act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, taking into account the factors as listed in section 172 (1) of the Companies Act 2006.

Engagement with our shareholders and wider stakeholder groups plays a vital role throughout the business. We set out in the table below our key stakeholder groups, their material interests and how the Company and Board engage with them. Each stakeholder group requires a tailored engagement approach to foster effective and mutually beneficial relationships.

KILLINCHY AEROSPACE HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023Stakeholder Engagement (continued)

Stakeholder	Their interest	How we engage	How the Board engages
Employees	<ul style="list-style-type: none"> - Training, development and prospects - Health and safety - Working conditions - Diversity and inclusion - Fair pay and benefits 	<ul style="list-style-type: none"> - Employee surveys - All staff emails - Workforce posters and communications - Whistleblowing procedures - Annual appraisal process - Employee handbook and policies available on shared drive 	<ul style="list-style-type: none"> - Board receives periodic reports on employee matters - Monthly updates given by Vice President of HR in Business Management Team meetings
Customers	<ul style="list-style-type: none"> - Reputation - On time delivery - Price and pricing consistency - Range and product/service availability - Safety - Innovation and technology - Financial performance 	<ul style="list-style-type: none"> - Customer surveys - Customer complaints - Industry events - Attendance at exhibitions/air shows - Direct marketing and communication - Service life leaflets distributed to all customers as and when required - Annual review of new technology developments 	<ul style="list-style-type: none"> - Quarterly updates given by Vice Presidents of Engineering and Business Development. - Monthly Board meetings and updates on trading - Executive Director involvement with senior executives of customers
Suppliers	<ul style="list-style-type: none"> - Fair trading - Payment terms - Anti-bribery and corruption - Long term partnerships - Ethical behaviour in the supply chain - Financial performance 	<ul style="list-style-type: none"> - Half yearly disclosures of Supplier Payment Practice Reporting - KPIs and feedback - Resolution of issues in a timely manner - Payment within agreed payment terms 	<ul style="list-style-type: none"> - Monthly updates given by Vice President of Sourcing in Business Management Team meetings - Executive Director involvement with senior executives of suppliers
Investors	<ul style="list-style-type: none"> - Long term sustainability of the business - Reputation - Financial performance - Returns/dividends 	<ul style="list-style-type: none"> - External audit - Non-executive directors in place for the Board, Risk and Audit Committees - Half year and Annual Shareholders Report - Quarterly presentation of subsidiary results by CFO 	<ul style="list-style-type: none"> - Monthly Board meetings - Quarterly Board meeting for parent company - Audit Committee meetings throughout the year - AGM - Board review and approval of financial statements
Corporate Social Responsibility (CSR)	<ul style="list-style-type: none"> - Sustainability - Recycling and waste management - Energy usage and carbon emissions - Climate change - Road safety - Human rights - Education 	<ul style="list-style-type: none"> - Direct engagement with local councils and community groups - Working with local schools, colleges and universities to offer placements and employment - Awarding scholarships and funding to help deserving applicants from deprived backgrounds study Engineering at university - Maintenance of our registration to the global ISO 14001 standard - Environment Steering Group meets monthly to manage, track and report on progress with environmental issues - Supporting a range of local projects and charities - Departmental Business Continuity Plans are reviewed and updated frequently 	<ul style="list-style-type: none"> - Board oversight of Corporate Responsibility plans - Disclosure of key CSR events in the Annual Shareholders' Report - Board approval of all charitable donations - Board oversight and overall responsibility of Business Continuity Plans - SECR reporting in financial statements

The Strategic Report was approved by the Board of Directors on 2 November 2023 and signed on its behalf by:



R J Martin
Director
2 November 2023

KILLINCHY AEROSPACE HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2023

The directors present their annual report and audited consolidated financial statements of Killinchy Aerospace Holdings Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 March 2023.

Principal activities

The Company is a management holding company, providing facilities and services for the companies within the Killinchy Aerospace Holdings Limited Group. The Group offers a total design, development, manufacturing and sales facility for aerospace safety and escape systems. This facility is world leading and enables the Group to sustain a pre-eminent position in the global marketplace.

Results and dividends

The profit for the year, after taxation, amounted to £80,933,000 (2022: £81,103,000). The closing net asset position was £417,467,000 (2022: £384,828,000). The slight decrease in the current year's profit after tax arises from a combination of factors such as:

- Inflationary and investment related cost increases in Engineering R&D and administrative expenses;
- A temporary increase in gross margins caused by changes in the product mix rather than product margins and elevated by short-term delay from inflationary impacts due to fixed-term contracts and lead-times;
- Higher interest income of £1,641,000 (2022: £188,000) due to increasing interest rates; and
- A FX gain of £1,399,000 (2022: loss of £2,477,000) primarily arising from the year end MTM revaluation of open hedges.

Details of the dividends paid during the year appear in Note 12, together with dividends paid since the year end. The directors will keep the appropriateness of a final dividend under review (2022: £6.20 per share).

Directors and Directors' interests

The following persons served as directors during the year and up to the date of signing these financial statements:

J S Martin, CBE, BAI, BA
J W Martin, CBE, FREng, MA BAI, FRAeS, CEng
R J Martin, BEng (Hons), MSC (Eng), CEng, MIMechE
A J Martin, BA (Hons)
D D Hess
C M Burrell
A Barrington
R K Morgan
P R Cragg

Financial risk management

Foreign exchange risk

The level of revenue and profitability can be affected by fluctuations in exchange rates. Large, non-GBP sales contracts are generally hedged to mitigate this risk.

Credit risk

The Group sells primarily to governments and large multi-nationals therefore credit risk is relatively low.

Liquidity risk

The Group does not currently borrow money and has no intention to do so in the coming year. Movements in interest rates will only impact on interest earned on cash balances held.

Price risk

The profitability of sales to some customers is limited by regulation. It is not anticipated that currently acceptable profit rates will change. The business frequently bids using tenders. There is a risk that this process will become increasingly competitive.

Health and safety of employees

The Group remains firmly committed to its health and safety responsibilities in providing a safe working environment for its workforce and the safest ejection seats in the world for its users. We continue to work towards or maintain a best practice approach in all areas, and regularly review, audit and risk assess our policies and procedures.

Post balance sheet events

On the 31st July 2023, Martin-Baker Aircraft Company Limited purchased 100% of the shares in Hydramec Limited for a total consideration of £2.1m.

KILLINCHY AEROSPACE HOLDINGS LIMITED**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023****Employees**

The Group holds regular consultations with its workforce on matters relating to current and future employment. Recruitment, training, career development and promotion policies within the Group provide equal opportunities for all employees and should, as far as is reasonably possible, be identical for disabled persons. Special facilities are granted for employees who become disabled whilst an employee of the Group to allow them to continue in their current role or to be trained for other suitable positions within the Group. Employees are provided with information about the Group performance through regular presentations by management.

Research and development activities

The Group is heavily committed to research and development activities so as to maintain its position as the market leader. Refer to note 5 for R&D expenditure charged to the income statement.

Streamlined Energy and Carbon Report (SECR)

The Company is pleased to report its current and historic UK based annual energy usage and associated annual greenhouse gas emissions pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations") that came into force 1 April 2019. In accordance with the 2018 Regulations, the energy use and associated greenhouse gas emissions are for those within the UK only that come under the operational control boundary. The annual reporting period is 1 April to 31 March each year.

Breakdown of energy consumption used to calculate emissions (kWh):

	2014/15 (Base Year)	2021/22	2022/23
Mandatory requirements:			
Gas	2,842,723	3,305,090	3,646,451
Purchased electricity	6,603,574	9,355,673	9,656,881
Transport fuel	1,283,369	1,803,522	1,769,880
Total energy (mandatory)	10,729,666	14,464,285	15,073,212

KILLINCHY AEROSPACE HOLDINGS LIMITED**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023****Streamlined Energy and Carbon Report (SECR) continued**Breakdown of emissions associated with the reported energy use (tCO₂e)

	2014/15 (Base Year)	2021/22	2022/23
Mandatory requirements:			
<u>Scope 1</u>			
Gas	525.8	605.4	671.7
Company owned vehicles	266.9	425.8	407.6
<u>Scope 2</u>			
Electricity (location based)	3,263.9	1,986.5	1,867.4
<u>Scope 3</u>			
Category 6: Business travel (employee-owned vehicles)	48.1	16.6	25.3
Total gross emissions (mandatory)	4,104.7	3,034.3	2,972.0
<u>Intensity ratios (mandatory emissions only)</u>			
Tonnes of CO ₂ e per million-pound turnover ¹	18.6	9.8	9.7
Tonnes of CO ₂ e per employee	6.1	2.9	2.8

¹ Total £m sales revenue as reported by Martin-Baker Aircraft Company Limited**Energy efficiency action during current financial year**

In the year 1 April 2022 to 31 March 2023, the Group have undertaken the following actions to improve energy efficiency:

- Installation of LED lighting as part of an ongoing lighting upgrade programme replacing fluorescent lighting across multiple buildings.
- Replacement of gas-fired heating systems with electric heat-pump systems across multiple buildings.

Political donations

There were no political donations during the year (2022: nil).

Qualifying third party indemnity provisions

The Group has arranged a Directors and Officers liability insurance policy which has been in force during the year and is currently in force.

Matters covered in the Strategic Report

The future developments of the Group are discussed in the Strategic Report and how the Directors have had regard to the need to foster the company's business relationships with suppliers, customers and other stakeholders are discussed in the Strategic Report.

Land and buildings

In the opinion of the Directors, the market values of the freehold and leasehold properties are in excess of the amounts at which they are included in the financial statements. In the absence of recent professional valuations, it is not possible to quantify with accuracy the extent of the excess.

KILLINCHY AEROSPACE HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

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 group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 group and company and of the profit or loss of the group and company for that period. In preparing the 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 group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the 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 Group and Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

This report and the financial statements on pages 13 to 38 were approved by the Board of Directors on 2 November 2023 and signed on its behalf by:



R J Martin
Director

2 November 2023

KILLINCHY AEROSPACE HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KILLINCHY AEROSPACE HOLDINGS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Killinchy Aerospace Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2023 and of the group's profit and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statement of Financial Position as at 31 March 2023; the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 group's and 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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

KILLINCHY AEROSPACE HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KILLINCHY AEROSPACE HOLDINGS LIMITED (CONTINUED)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

KILLINCHY AEROSPACE HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KILLINCHY AEROSPACE HOLDINGS LIMITED (CONTINUED)

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of relevant tax legislation and the Health and Safety Executive, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006 and relevant tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue. Audit procedures performed by the engagement team included:

- Enquiry of management including considerations of known or suspected instances of non-compliance with laws and regulations and fraud.
- Reviewing minutes of meetings of those charged with governance.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Designing risk filters to search for journal entries, such as those posted with unusual account combinations or posted by members of senior management with a financial reporting oversight role, and testing those journals highlighted(if any); and
- Incorporating elements of unpredictability into the audit procedures performed.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

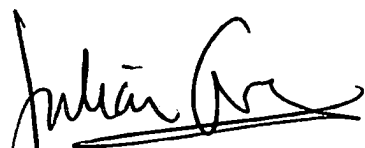
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Julian Gray (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
2 November 2023

KILLINCHY AEROSPACE HOLDINGS LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023**

	Note	2023 £'000	2022 £'000
Turnover	4	325,719	329,508
Cost of sales		(163,511)	(182,855)
Gross profit		162,208	146,653
Administrative expenses		(69,328)	(49,166)
Gain/(loss) on foreign exchange	5	1,399	(2,477)
Operating profit	5	94,279	95,010
Share of post-tax result of associates and joint ventures	15	2,677	3,658
Impairment of investment in associates and joint ventures	15	-	(1,195)
Interest receivable and similar income	9	1,641	188
Interest payable and similar expenses	10	(411)	(235)
Profit before taxation		98,186	97,426
Tax on profit	11	(17,253)	(16,323)
Profit for the financial year		80,933	81,103
Other comprehensive income/(expense):			
Unrealised exchange differences on overseas net assets		1,863	1,435
Movement of deferred tax on pension scheme	24	190	(663)
Total remeasurement gain on pension scheme	28	55	-
Other comprehensive income for the year		2,108	772
Total comprehensive income for the year		83,041	81,875

All results relate to continuing operations.

The notes on pages 19 to 38 form part of these financial statements.

KILLINCHY AEROSPACE HOLDINGS LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023**

	Note	2023 £'000	2022 £'000
Assets			
Fixed assets			
Intangible assets	13	981	672
Property, plant and equipment	14	45,250	40,926
Investments	15	6,562	6,547.
Total fixed assets		52,793	48,145
Current assets			
Inventories	16	170,747	141,023
Trade and other receivables	17	85,956	84,367
Current asset investments	18	50,000	-
Cash and cash equivalents	19	91,729	146,377
Restricted deposits	19	15,000	15,000
Total current assets		413,432	386,767
Total assets		466,225	434,912
Current liabilities			
Trade and other payables: amounts falling due within one year	20	(46,090)	(45,173)
Provisions for liabilities	21	(2,668)	(3,867)
Total assets less current liabilities		417,467	385,872
Non-current liabilities			
Trade and other payables: amounts falling due after more than one year	20	-	(67)
Provisions for liabilities	21	-	(977)
Pension liability	28	-	-
Net assets		417,467	384,828
Capital and reserves			
Called up share capital	25	2,435	2,435
Share premium account	26	2,451	2,451
Other reserves	26	1,197	1,197
Retained earnings	26	411,384	378,745
Total shareholders' funds		417,467	384,828

The financial statements on pages 13 to 38 were approved and authorised for issue on 2 November 2023 by the Board of Directors and were signed on its behalf by:



R J Martin
Director

The notes on pages 19 to 38 form part of these financial statements.

KILLINCHY AEROSPACE HOLDINGS LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023**

	Note	2023 £'000	2022 £'000
Assets			
Fixed assets			
Property, plant and equipment	14	3,313	3,365
Investments	15	4,689	4,689
Total fixed assets		8,002	8,054
Current assets			
Trade and other receivables: amounts falling due within one year	17	12,701	17,256
Current asset investments	18	50,000	-
Cash and cash equivalents	19	73,805	108,791
Total current assets		136,506	126,047
Total assets		144,508	134,101
Current liabilities			
Trade and other payables: amounts falling due within one year	20	(243)	(307)
Total assets less current liabilities		144,265	133,794
Non-current liabilities			
Deferred taxation	24	(100)	(81)
Net assets		144,165	133,713
Capital and reserves			
Called up share capital	25	2,435	2,435
Share premium account	26	2,451	2,451
Retained earnings			
At 1 April		128,827	127,150
Profit for the year		60,854	76,915
Other changes in retained earnings	12	(50,402)	(75,238)
At 31 March	26	139,279	128,827
Total shareholders' funds		144,165	133,713

The financial statements on pages 13 to 38 were approved and authorised for issue on 2 November 2023 by the Board of Directors and were signed on its behalf by:



R J Martin
Director

The notes on pages 19 to 38 form part of these financial statements.

KILLINCHY AEROSPACE HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

	Note	Called up share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Total shareholders' funds £'000
At 1 April 2022		2,435	2,451	1,197	378,745	384,828
Profit for the financial year		-	-	-	80,933	80,933
Other comprehensive income/(expense):						
Unrealised exchange differences on overseas net assets		-	-	-	1,863	1,863
Movement of deferred tax on pension scheme		-	-	-	190	190
Total remeasurement gain on pension scheme	28	-	-	-	55	55
Total comprehensive income for the year		-	-	-	83,041	83,041
Other						
Dividends paid to owners	12	-	-	-	(50,402)	(50,402)
At 31 March 2023		2,435	2,451	1,197	411,384	417,467

FOR THE YEAR ENDED 31 MARCH 2022

	Note	Called up share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Total shareholders' funds £'000
At 1 April 2021		2,435	2,451	-	372,423	377,309
Profit for the financial year		-	-	-	81,103	81,103
Other comprehensive income/(expense):						
Unrealised exchange differences on overseas net assets		-	-	-	1,435	1,435
Movement of deferred tax on pension scheme		-	-	-	(663)	(663)
Total remeasurement gain on pension scheme		-	-	-	-	-
Total comprehensive income for the year		-	-	-	81,875	81,875
Other						
Purchase of subsidiary minority interest		-	-	-	(316)	(316)
Dividends paid to owners	12	-	-	-	(75,238)	(75,238)
Capital contribution		-	-	1,197	-	1,197
At 31 March 2022		2,435	2,451	1,197	378,745	384,828

The notes on pages 19 to 38 form part of these financial statements.

KILLINCHY AEROSPACE HOLDINGS LIMITED**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023**

	Note	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 April 2022		2,435	2,451	128,827	133,713
Profit for the financial year		-	-	60,854	60,854
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	60,854	60,854
Transactions with owners					
Dividends paid	12	-	-	(50,402)	(50,402)
At 31 March 2023		2,435	2,451	139,279	144,165

FOR THE YEAR ENDED 31 MARCH 2022

	Note	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 April 2021		2,435	2,451	127,150	132,036
Profit for the financial year		-	-	76,915	76,915
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	76,915	76,915
Transactions with owners					
Dividends paid	12	-	-	(75,238)	(75,238)
At 31 March 2022		2,435	2,451	128,827	133,713

The notes on pages 19 to 38 form part of these financial statements.

KILLINCHY AEROSPACE HOLDINGS LIMITED**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023**

	Note	2023 £'000	2022 £'000
Cash flows from operating activities			
Profit for the financial year		80,933	81,103
Taxation charge	11	17,253	16,323
Share of profit of associates and joint ventures	15	(2,677)	(3,658)
Impairment of investment in associates and joint ventures	15	–	1,195
Interest receivable and similar income	9	(1,641)	(188)
Interest payable and similar expenses	10	411	235
Depreciation and amortisation charge	13,14	5,456	4,923
Adjustment for intra-group transfers	14	(53)	(533)
Profit on sale of property, plant and equipment	5	(35)	(3,143)
Impairment of property, plant and equipment	14	–	1,903
(Increase)/decrease in inventories		(29,724)	4,725
Decrease/(increase) in trade and other receivables		2,689	(12,078)
(Decrease)/increase in trade and other payables		(554)	2,034
Expenses borne by the pension scheme		55	–
Fair value movements on derivatives	17,20	(2,323)	7,238
Translation differences		1,396	1,082
Net cash generated from operations		71,185	101,162
Tax paid		(19,064)	(12,583)
Net cash flow generated from operating activities		52,121	88,579
Investing activities			
Interest receivable and similar income	9	917	166
Purchase of property, plant and equipment and intangible assets	13,14	(9,838)	(10,324)
Proceeds from sale of property, plant and equipment		135	3,248
Dividends received from joint venture	15	2,830	7,298
Transfer to current asset investments	18	(50,000)	–
Net cash flow generated (used in)/from investing activities		(55,956)	388
Financing activities			
Interest payable and other finance costs	10	(411)	(235)
Purchases of subsidiary minority interest	15	–	(316)
Dividends paid to shareholders	12	(50,402)	(75,238)
Net cash flow used in financing activities		(50,813)	(75,789)
Net (decrease)/increase in cash and cash equivalents		(54,648)	13,178
Cash and cash equivalents at 1 April		146,377	133,199
Cash and cash equivalents at 31 March	19	91,729	146,377

Cash and cash equivalents comprise of cash at bank and in hand and any investments with a maturity date of less than 3 months from the balance sheet date and bank overdrafts. Cash and cash equivalents exclude any amounts held as investments with a maturity date greater than 3 months and restricted deposits.

The notes on pages 19 to 38 form part of these financial statements.

KILLINCHY AEROSPACE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1. General information

Killinchy Aerospace Holdings Limited is a private company limited by shares which is domiciled and incorporated in England and Wales. The registered office is Aircraft Works, Lower Road, Higher Denham, Uxbridge, Middlesex, UB9 5AJ.

The Group offers a total design, development, manufacturing and sales facility for aerospace safety and escape systems. This facility is without equal in the free world and enables the Group to sustain a pre-eminent position in the global marketplace.

2. Accounting policies

Basis of preparation

The Group and Company financial statements have been prepared on a going concern basis, under historic cost modified by revaluation of financial assets and financial liabilities held at fair value through profit and loss unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of the Group and Company financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The Company has taken advantage of the exemption to prepare a statement of cash flows, on the basis that it is a qualifying entity and the Consolidated Statement of Cash Flows, included in these consolidated financial statements, includes the Company's cash flows.

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

Basis of consolidation

The results of all of the subsidiaries for the year ended 31 March 2023 and the assets and liabilities as at that date have been consolidated.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity, it accounts for that entity as a subsidiary.

Where a subsidiary has different accounting policies to the group, adjustments are made to those subsidiary financial statements to apply the group's accounting policies when preparing the consolidated financial statements.

Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated income statement. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the group's interest in the entity.

Financial Reporting Standard 102 – reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in these consolidated financial statements.

Going concern

After making enquiries, the directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. This takes into account review of the liquidity of the Group and the Group's forecasts and projections, including closing order book. Therefore, the Group and Company continue to adopt the going concern basis of accounting in preparing these financial statements.

KILLINCHY AEROSPACE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

Turnover

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

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group 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 Group 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.

All equipment delivered or accepted for delivery is invoiced before the year end and the value included at sales price. Equipment manufactured but where title has not passed to the customer is included in inventories at standard cost.

Sale of services

Turnover from the sale of services is recognised based on the level of completion as at the year end. The Company uses the percentage of completion method based on actual costs incurred to date as a percentage of total expected costs. These are reviewed and updated by management as the contract runs through its term. Costs relating to projects predicted to be loss making are provided for in full.

Royalties

Royalties from licensees are included in the financial statements within admin expenses on an accruals basis.

Foreign currency translation

Functional and presentation currency

The Group and Company's functional and presentational currency is GBP and rounded to thousands.

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 the 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 in currencies other than the functional currency of each component business and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, other than the functional currency of the relevant business unit, are recognised in the Consolidated Statement of Comprehensive Income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'interest receivable and similar income' and 'interest payable and other finance costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within '(Loss)/gain on foreign exchange'.

On consolidation, the trading results of group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings are translated at the exchange rates ruling at the year-end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'Other comprehensive income' as unrealised exchange differences on overseas net assets.

Research and development

In the research phase of a project, it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives, which range from 3 to 6 years. If it is not possible to distinguish between the research phase and the development phase of a project, the expenditure is treated as if it were all incurred in the research phase only.

The cost of fixed assets acquired or constructed in order to provide facilities for research and development over a number of years is capitalised.

KILLINCHY AEROSPACE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

Interest receivable and similar income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

Interest payable and similar expenses

Finance costs are charged to the Consolidated Statement of Comprehensive Income 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.

Operating leases: the Group and Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense in the period in which they are incurred.

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 Group and Company are demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

The Company, jointly with Martin-Baker Aircraft Company Limited ("the participating employers"), operates a defined benefit scheme in the UK known as The Martin-Baker Pension Scheme. This Scheme provides pension benefits for the majority of the UK employees of the Group who joined before 1 October 2012. The funds of the Scheme are administered by Trustees and are separate from those of the Company. An independent actuary completes a valuation at least every three years and, in accordance with their recommendations, annual contributions are paid to the Scheme so as to secure the benefits set out in the rules and the periodic augmentation of current pensions.

Martin-Baker Aircraft Company Limited is the principal employer and the entity legally responsible for the plan and has applied defined benefit accounting. The defined benefit obligation is calculated using the projected unit credit method. Annually, the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in GBP and that have terms approximating the estimated period of the future payments ("discount rate"). The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy.

If the Scheme is in a net deficit position, the liability is recognised on the Statement of Financial Position in the financial statements of Martin-Baker Aircraft Company Limited. If the Scheme is in a net surplus position, this is restricted to nil and no asset is recognised on the Statement of Financial Position, unless there is clear evidence that the Company will benefit from the surplus. Adjustments to restrict a net surplus position in conjunction with actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to Other Comprehensive Income of Martin-Baker Aircraft Company Limited, as appropriate.

The cost of the defined benefit plan, recognised in profit or loss as 'pension costs', comprises:

- The increase in pension benefit liability arising from employee service during the period; and
- The cost of past service costs, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of the plan assets. This cost is recognised in profit or loss as "Other Interest payable and similar expenses" or "Other interest receivable and similar income", as appropriate.

The Scheme provides life assurance cover for most UK employees of the Group, but was closed to future pension accrual with effect from 30 September 2013, because it did not satisfy the requirements for auto-enrolment. However, the accrued benefits earned to that date will continue to increase in line with the employees' salaries.

The UK Companies contribute to a Group SIPP arrangement administered by Hargreaves Lansdown in order to comply with the requirements for auto-enrolment. The pension cost charge represents contributions payable by the Group to these funds.

Martin-Baker America Inc. and Martin-Baker Australia Pty operates a defined contribution pension scheme. The pension charge represents contributions paid by the Group during the year.

Related party transactions

The group discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the group financial statements.

KILLINCHY AEROSPACE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023****2. Accounting policies (continued)****Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity 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 reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position 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 Group 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, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Tangible assets

Tangible assets other than freehold land, are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Statement of Comprehensive Income during the period in which they are incurred.

Depreciation is recognised so as to write off the cost of assets less their residual values using the straight-line method over their useful lives on the following bases:

Freehold land & buildings	- 4%
Rocket track	- 6.7%
Assets under construction	- Not depreciated
Plant & machinery	- 10% to 25% depending on usage
Motor vehicles	- 20%
Fixtures & fittings	- 20%
Aircraft	- 10%
Computer equipment	- 25%
Long leasehold	- 5%

Freehold land is not depreciated.

Expenditure on low value items of fixed assets is charged to the Statement of Comprehensive Income in the year in which it is incurred.

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. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Comprehensive Income.

Assets under construction

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

Intangible assets

The useful lives of intangible assets are assessed as either finite or infinite. Intangible assets with finite lives are amortised using the straight-line method over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

The following useful life is applied:

Software	- 25%
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KILLINCHY AEROSPACE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

Investments

Investments are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the Consolidated Statement of Comprehensive Income.

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint venture are accounted for using the equity method of accounting. The investment is carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the investment, less any impairment in the value of the investment. Losses in excess of the Group's interest in the investment are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investment. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment. The Group's share of the changes in the carrying value of the investments in associates is recognised in the Consolidated Statement of Comprehensive Income.

Impairment of non-financial assets

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each Statement of Financial Position date. If such indication exists, the recoverable amount of the asset, or the asset's cash generating unit, is estimated and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income unless the asset is carried at a revalued amount where the impairment loss is a revaluation decrease.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) 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 or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

Inventories

Inventories are stated at the lower of standard cost and net realisable value after making due allowance for obsolescence based on future usage, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads. Foreseeable future losses arising on fixed price manufacturing contracts are provided for in full.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents

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

Current asset investments

Any cash held in deposit accounts with original maturities over three months is classified as current asset investments on the Statement of Financial Position.

Restricted deposits

Restricted deposits, being cash balances held in a pension escrow account, are excluded from cash and cash equivalents for the purpose of the consolidated statement of cash flows. Further disclosure is made in note 19.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method. Amounts are classified as current if payment is due within one year or less. If not, they are presented as non-current.

Provisions for liabilities

Provisions are made where an event has taken place that gives the Group 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 Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are credited against the provision carried in the Statement of Financial Position.

KILLINCHY AEROSPACE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

Provisions for liabilities (continued)

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are only disclosed in the financial statements when an inflow of economic benefits is probable. However, when the flow of future economic benefits to the entity is virtually certain, then the related asset is not a contingent asset, and its recognition is appropriate.

Onerous contracts

An onerous contract is one in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The present obligation under the contract shall be recognised and measured as a provision.

Equity instruments

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

Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an 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.

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) despite having retained some significant risks and rewards of ownership, 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.

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

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives 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. Derivatives are only entered into for the purpose of risk management and are not utilised for speculative purposes.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

KILLINCHY AEROSPACE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023****2. Accounting policies (continued)****Share capital**

Ordinary shares are classified as equity. 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. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis.

The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below.

a) Critical judgements in applying the Group's accounting policies

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

i) Defined benefit pension scheme

The Group has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. Further details are provided in note 28.

If the pension scheme is in a deficit position, this is recognised in full and presented on the face of the statement of financial position. In the event of a surplus, the Group has made the judgement not to recognise this as it is unlikely that any surplus in the scheme will be available for the use of the Group.

b) Critical accounting estimates and assumptions

The key assumptions affected by future uncertainty that have a significant risk of causing material adjustment to the carrying value of assets and liabilities within the next financial year are:

i) Inventory obsolescence

Provisions are made to cover the excessive loss in the value of inventory held, likely to rise through obsolescence, damage, expired shelf life or a lack of future demand. The Group makes a 100% provision against inventory meeting these criteria.

ii) Onerous contracts

Provision is made for future losses on long-term contracts where it is considered that the contract costs are likely to exceed revenues in future years. Estimating future losses involves assumptions of contract performance targets and likely levels of future cost escalation over time. A provision for onerous contracts of £2,108,000 (2022: £4,844,000) is recorded at 31 March 2023, as shown in note 21.

4. Turnover

An analysis of turnover by class of business is as follows:

	2023 £'000	2022 £'000
Sale of goods	300,915	308,986
Sale of services	24,804	20,522
	325,719	329,508

An analysis of the Group's turnover by geographical area is as follows:

	2023 £'000	2022 £'000
United Kingdom	51,770	67,196
North America	125,388	142,953
Europe	58,519	51,880
Other	90,042	67,479
	325,719	329,508

KILLINCHY AEROSPACE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023****5. Operating profit**

The operating profit is stated after charging/(crediting):

	2023 £'000	2022 £'000
Research and development expenditure	33,550	26,699
(Gain)/loss on foreign exchange	(1,399)	2,477
Operating lease – others (note 22)	710	573
RDEC credit	(3,123)	(2,494)
Depreciation and amortisation (note 13 and 14)	5,456	4,923
Royalties receivable	(358)	(332)
Profit on disposal of tangible assets	(35)	(3,143)
Impairment of property, plant and equipment (note 14)	–	1,903
Impairment of inventory (note 16)	3,881	1,462

Included within research and development expenditure are staff costs of £19,439,000 (2022: £17,303,000), which are included within note 7.

6. Auditors' remuneration

Fees paid to the Company's auditors for:	2023 £'000	2022 £'000
The audit of the parent company and the consolidated financial statements	145	133
The audit of the Company's subsidiaries pursuant to legislation	145	133
Tax compliance services	30	19
Other non-audit services	58	132
Total	378	417

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Wages and salaries	62,401	57,086	1,945	1,789
Social security costs	6,775	5,978	273	252
Other pension costs (note 28)	4,806	4,704	41	35
	73,982	67,768	2,259	2,076

The average monthly number of employees, including the directors, during the year, was as follows:

	Group		Company	
	2023 Number	2022 Number	2023 Number	2022 Number
Production and sales	709	684	–	–
Office and management	557	512	13	11
	1,266	1,196	13	11

KILLINCHY AEROSPACE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023****8. Directors' remuneration**

	2023 £'000	2022 £'000
Aggregate directors' remuneration	1,702	1,627
Pension costs	10	10
	1,712	1,637

During the year, retirement benefits were accruing to 3 directors (2022: 3) in respect of defined contribution pension schemes.

The directors of the Company are remunerated by the parent company, Killinchy Aerospace Holdings Limited and their remuneration is apportioned between the entities within the Group.

The highest paid director received remuneration of £347,000 (2022: £338,000). There were no contributions made in respect of the highest paid director relating to money purchase schemes. The Company does not operate share options or long-term share incentive schemes.

9. Interest receivable and similar income

	2023 £'000	2022 £'000
Other interest receivable	1,641	188
	1,641	188

Out of the £1,641,000 (2022: £188,000), £917,000 (2022: £166,000) was received in cash during the year and recognised in the Consolidated Statement of Cash Flows.

10. Interest payable and similar expenses

	2023 £'000	2022 £'000
Other finance costs	411	235
	411	235

11. Tax on profit

	2023 £'000	2022 £'000
Current tax		
Current tax on profits for the year	17,050	17,190
Adjustments in respect of prior years	384	867
Foreign tax relief/other relief	(27)	–
	17,407	18,057
Foreign tax		
Foreign tax suffered	1,133	686
	18,540	18,743
Deferred tax		
Origination and reversal of timing differences	(613)	(803)
Effect of changes to tax rates	(560)	(859)
Adjustments in respect of prior years	(114)	(758)
	(1,287)	(2,420)
Tax on profit	17,253	16,323

KILLINCHY AEROSPACE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023****11. Tax on profit (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2022: lower than) the standard rate of corporation tax in the UK of 19.0% (2022: 19.0%). The differences are explained below.

	2023 £'000	2022 £'000
Profit before taxation	98,186	97,426
PBT multiplied by standard rate of UK corporation tax of 19.0% (2022: 19.0%)	18,655	18,511
Expenses not deductible for tax purposes	231	399
Patent box	(1,236)	(1,560)
Tax rate changes	(114)	(859)
Adjustments in respect of previous years	(176)	109
Effects of overseas tax rates	402	56
Share of tax in associates reported above the line	(509)	(695)
Other	–	362
Tax charge for the year	17,253	16,323

Factors that may affect future tax charges

In the Spring Budget 2021, the Government announced that from 1 April 2023, the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had been substantively enacted at the balance sheet date, its effects are included in these financial statements.

12. Dividends

	2023 £'000	2022 £'000
Interim and final dividends related to the year ended 31 March 2022 of £10.20 (31 March 2021: £18.90) per share	24,836	46,019
Interim dividends for the year of £10.50 (2022: £12.00) per share	25,566	29,219
Total dividends	50,402	75,238

13. Intangible assets

Cost	Software £'000
At 1 April 2022	2,810
Additions	452
Disposals	(36)
Transfer between asset class	122
Exchange adjustments	12
At 31 March 2023	3,360
Accumulated amortisation	
At 1 April 2022	2,139
Charge for the year	266
Disposals	(36)
Exchange adjustments	10
At 31 March 2023	2,379

KILLINCHY AEROSPACE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023****13. Intangible assets (continued)****Net book value**

At 31 March 2023	981
At 31 March 2022	672

14. Property, plant and equipment**Group**

Cost	Freehold land & buildings £'000	Long leasehold £'000	Rocket track £'000	Plant & Machinery £'000	Fixtures & Fittings £'000	Motor vehicles £'000	Aircraft £'000	Computer equipment £'000	Assets under construction £'000	Total £'000
At 1 April 2022	23,865	2,266	242	40,057	7,267	1,009	5,626	4,675	7,162	92,169
Additions	126	–	–	2,012	905	270	–	289	5,784	9,386
Disposals	–	–	–	(250)	–	(54)	(124)	(85)	–	(513)
Transfer between asset class	2,642	–	–	1,952	1,540	–	–	156	(6,412)	(122)
Adjustment for intra-group transfers	–	–	–	(51)	(12)	–	–	–	–	(63)
Exchange adjustments	416	12	–	164	31	(3)	–	28	(7)	641
At 31 March 2023	27,049	2,278	242	43,884	9,731	1,221	5,503	5,063	6,527	101,499

Accumulated depreciation and impairment

At 1 April 2022	7,736	1,985	211	29,850	5,699	642	1,649	3,471	–	51,243
Charge for the year	861	–	7	2,374	743	142	501	562	–	5,190
Disposals	–	–	–	(249)	–	(54)	(25)	(85)	–	(413)
Transfer between asset class	–	–	–	–	–	–	–	–	–	–
Adjustment for intra-group transfers	–	–	–	(107)	(9)	–	–	–	–	(116)
Exchange adjustments	103	–	–	191	27	1	–	23	–	345
At 31 March 2023	8,700	1,985	218	32,059	6,460	731	2,125	3,972	–	56,249

Net book value

At 31 March 2023	18,349	294	24	11,825	3,271	490	3,378	1,091	6,527	45,250
At 31 March 2022	16,129	281	31	10,207	1,568	367	3,977	1,204	7,162	40,926

During the year, sales proceeds of £135,000 (2022: £3,258,000) were received from the disposal of assets with a net book value of £100,000 (2022: £115,000), resulting in a profit on disposal of £35,000 (2022: £3,143,000 profit) as shown within note 5.

KILLINCHY AEROSPACE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

14. Property, plant and equipment (continued)

Company

Cost	Freehold land & building £'000	Long leasehold £'000	Plant & Machinery £'000	Assets under construction £'000	Total £'000
At 1 April 2022	5,467	2,078	1,333	–	8,878
Additions	–	–	–	–	–
Disposals	–	–	–	–	–
Transfer between asset class	–	–	–	–	–
At 31 March 2023	5,467	2,078	1,333	–	8,878
Accumulated depreciation					
At 1 April 2022	2,195	1,985	1,333	–	5,513
Charge for the year	52	–	–	–	52
At 31 March 2023	2,247	1,985	1,333	–	5,565
Net book value					
At 31 March 2023	3,220	93	–	–	3,313
At 31 March 2022	3,272	93	–	–	3,365

15. Investments

Group

Cost	Investment in associates £'000	Investment in joint ventures £'000	Total £'000
At 1 April 2022	–	6,547	6,547
Additions	–	–	–
Add: Share of post-tax profits	–	2,677	2,677
Foreign exchange	–	168	168
Less: Dividends received	–	(2,830)	(2,830)
Impairment charge during the year	–	–	–
At 31 March 2023	–	6,562	6,562

Direct subsidiary undertakings

The following were direct subsidiary undertakings of the Company:

Name	Country of incorporation	Ownership %	Class of shares	Principal activity
Martin-Baker Aircraft Company Limited	UK	100	Ordinary	Aerospace safety and escape systems
Crossgar Aviation Limited	UK	100	Ordinary	Non-trading
Martin-Baker America Inc.	America	100	Ordinary	Aerospace safety and escape systems
Killinchy America Inc.	America	100	Ordinary	Holding company
Martin-Baker Australia Pty	Australia	100	Ordinary	Aerospace safety and escape systems

Indirect subsidiary undertakings

The following is an indirect subsidiary undertaking of the Company and is owned 100% by Martin-Baker Aircraft Company Limited.

Name	Country of incorporation	Ownership %	Class of shares	Principal activity
J. Martin Armaments Limited	UK	100	Ordinary	Dormant

KILLINCHY AEROSPACE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023****15. Investments (continued)****Registered addresses**

Name	Registered address
Martin-Baker Aircraft Company Limited	Lower Road, Higher Denham, Uxbridge, Middlesex, UB9 5AJ
Crossgar Aviation Limited	Lower Road, Higher Denham, Uxbridge, Middlesex, UB9 5AJ
Martin-Baker America Inc.	169 Jari Drive, Johnstown, PA, 15904, USA
Killinchy America Inc.	Rodney Square, 1000 North King Street, Wilmington, County of New Castle, 19801, State of Delaware, USA
Martin-Baker Australia Pty	22 Magnolia Drive, 4300 Brookwater, Queensland, Australia
J. Martin Armaments Limited	Armaments Works, Southlands Rd, Denham, Uxbridge, Middlesex

Investments in associate and joint venture

The Company holds a 23.23% associate holding of the issued share capital of SICAMB S.p.A. ("SICAMB"), a company incorporated in Italy, which manufactures and sells products designed by the Group and externally. The investment is accounted for using the equity method.

The Company holds a 50% joint venture holding of the issued share capital of Safran Martin-Baker France SA ("SMBF"), a company incorporated in France, which manufactures and sells products designed by the Group and externally. The investment is accounted for using the equity method.

Company

	Investment in subsidiary companies £'000	Investment in associates £'000	Investment in joint ventures £'000	Unlisted investments £'000	Total £'000
At 1 April 2022	4,687	–	2	–	4,689
Additions	–	–	–	–	–
Impairment charge during the year	–	–	–	–	–
At 31 March 2023	4,687	–	2	–	4,689

16. Inventories

	2023 £'000	2022 £'000
Raw materials and consumables	138,549	111,502
Work in progress	32,198	29,521
	170,747	141,023

Inventory recognised in cost of sales during the year as an expense was £128,989,000 (2022: £147,254,000).

An impairment loss of £3,881,000 (2022: £1,462,000) was recognised in cost of sales against inventory during the year due to slow-moving and obsolete inventory.

The figures above are for the Group as the Company does not hold any inventory (2022: nil). The replacement cost is not deemed to be substantially different from the book value.

KILLINCHY AEROSPACE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023****17. Trade and other receivables**

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Amounts falling due within one year				
Trade receivables	56,948	59,637	–	–
Amounts owed by group undertakings	–	–	11,896	17,148
Other receivables	12,496	10,629	737	108
Corporation tax recoverable	1,874	1,227	68	–
Deferred tax asset (note 24)	366	349	–	–
Derivative financial assets	1,395	–	–	–
Prepayments and accrued income	10,809	11,951	–	–
	83,888	83,793	12,701	17,256

The amounts owed by Group undertakings are unsecured and are repayable on demand. Interest is paid on the balance based on the SONIA interest rate plus a margin.

The derivative financial instruments are made up of foreign currency forward contracts. The foreign currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for the relevant currencies.

During the year, a gain of £2,323,000 (2022: loss of £7,238,000) was recognised in the Consolidated Statement of Comprehensive Income for changes in the fair value of foreign currency contracts. This has resulted in an asset of £1,395,000 as at 31 March 2023 (2022: liability of £928,000).

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Amounts falling due after one year				
Deferred tax asset (note 24)	2,068	574	–	–
	2,068	574	–	–

18. Current asset investments

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Treasury deposits	50,000	–	50,000	–

All amounts held in treasury deposits have a maturity profile of 12 months or less.

19. Cash, cash equivalents and restricted deposits

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Cash and cash equivalents	91,729	146,377	73,805	108,791
Restricted deposits	15,000	15,000	–	–

Restricted deposits relate to funds held in a pension escrow account.

KILLINCHY AEROSPACE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023****20. Trade and other payables**

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Amounts falling due within one year				
Deferred income and payments received on account	19,154	14,834	–	–
Trade payables	10,659	13,843	–	–
Amounts owed to group undertakings	–	–	–	–
Derivative financial liabilities	–	928	–	–
Corporation tax creditor	975	818	–	8
Other taxation and social security	1,605	1,760	90	131
Other payables	4,617	3,064	–	–
Deferred tax liability (note 24)	–	–	–	–
Accruals	9,080	9,926	153	168
	46,090	45,173	243	307

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Amounts falling due after one year				
Other payables	–	67	–	–
Deferred tax liability (note 24)	–	–	100	81
	–	67	100	81

21. Provisions for liabilities

	2023 £'000	2022 £'000
At 1 April	4,844	9,788
Utilised	(5,911)	(6,347)
Charged to the income statement	3,735	1,403
At 31 March	2,668	4,844

	2023 £'000	2022 £'000
Ageing of provision		
Current provision	2,668	3,867
Non-current provision	–	977
	2,668	4,844

Onerous contracts

A provision is recorded for onerous contracts where there is an expectation that the contract costs are likely to exceed revenues in future years. Inherent uncertainties in measuring the provision relate to estimates of the future costs expected to be incurred and of revenues expected to be received. A provision for onerous contracts of £2,108,000 (2022: £4,844,000) is recorded at 31 March 2023.

KILLINCHY AEROSPACE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023****22. Obligations under operating leases**

At 31 March 2023, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group	
	2023 £'000	2022 £'000
Within one year	648	531
Within two to five years	615	464
	1,263	995

A charge of £710,000 (2022: £573,000) was taken to the Statement of Comprehensive Income in the year ended 31 March 2023, as disclosed in note 5.

23. Financial instruments

Financial assets	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Derivative financial assets measured at fair value through profit or loss	1,395	–	–	–
Financial assets measured at amortised cost	211,172	216,643	136,438	126,047
	212,567	216,643	136,438	126,047

Financial liabilities	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Derivative financial instruments measured at fair value through profit or loss	–	928	–	–
Financial liabilities measured at amortised cost	43,977	46,510	154	168
	43,977	47,439	154	168

Financial assets measured at amortised cost for the Group comprise cash, trade debtors, other debtors and treasury deposits. Financial assets measured at amortised cost for the Company comprise cash, amounts owed by group undertakings, other debtors and treasury deposits.

Derivative financial assets and liabilities for the Group measured at fair value through profit or loss comprise foreign currency forward contracts.

Financial liabilities measured at amortised cost for the Group and Company comprise of deposit received on account, other loans, trade creditors, other creditors, accruals and provisions for liabilities, but does not include deferred revenue.

24. Deferred taxation

Group	Group	
	2023 £'000	2022 £'000
Net deferred tax asset/(liability) at the beginning of the year	923	(837)
Credited to Statement of Comprehensive Income	726	1,662
Credited/(charged) to Other Comprehensive Income	190	(663)
Adjustments in respect of prior years	595	761
Net deferred tax asset at the end of the year	2,434	923

KILLINCHY AEROSPACE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

24. Deferred taxation (continued)

Company	Company	
	2023 £'000	2022 £'000
Deferred tax (liability) at the beginning of the year	(81)	(45)
(Charged) to Statement of Comprehensive Income	(19)	(36)
Deferred tax (liability) at the end of the year	(100)	(81)

The deferred taxation balance is made up as follows:

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Fixed asset timing differences	1,929	(81)	(100)	(81)
Other timing differences	505	1,004	-	-
	2,434	923	(100)	(81)

The deferred taxation balance comprises of:

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Deferred tax asset due within one year (note 17)	366	349	-	-
Deferred tax asset due after one year (note 17)	2,068	574	-	-
Deferred tax liability due within one year (note 20)	-	-	-	-
Deferred tax liability due after one year (note 20)	-	-	(100)	(81)
Net deferred tax asset/(liability)	2,434	923	(100)	(81)

25. Called up share capital

Group and Company	2023	2022
	£'000	£'000
Allotted, called up and fully paid		
2,434,874 (2022: 2,434,874) ordinary shares of £1 each	2,435	2,435
	2,435	2,435

26. Reserves

Share premium account

The share premium account reflects proceeds generated on issue of shares in excess of their nominal values and is a non-distributable reserve.

Other reserves

Other reserves represents contributions to the equity capital of the Martin-Baker Aircraft Company Limited, but is not made in exchange for shares issued to the contributor and it does not constitute a separate asset in its own right.

Retained earnings

Retained earnings represent the accumulated profits and losses made by the Group and Company less any distributions made.

KILLINCHY AEROSPACE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023****27. Capital commitments**

At 31 March, the Group had capital commitments as follows:

	2023 £'000	2022 £'000
Capital commitments authorised and contracted for at 31 March	5,143	3,660
	5,143	3,660

28. Pension and post-retirement benefits**Defined benefit**

The Company, jointly with Martin-Baker Aircraft Company Limited ('the participating employers'), operates a defined benefit scheme in the UK known as The Martin-Baker Pension Scheme. This Scheme provides pension benefits for the majority of the UK employees of the group who joined before 1 October 2012. The funds of the Scheme are administered by Trustees and are separate from those of the Company.

An independent actuary completes a valuation at least every three years and, in accordance with their recommendations, annual contributions are paid to the Scheme to secure the benefits set out in the rules and the periodic augmentation of current pensions.

The Scheme was closed to future pension accrual with effect from 30 September 2013, because it did not satisfy the requirements for auto-enrolment. However, the accrued benefits earned to that date will continue to increase in line with the employees' salaries.

A full actuarial valuation was carried out in October 2020 and updated to 31 March 2023 by a qualified independent actuary.

Reconciliation of present value of plan liabilities

	2023 £'000	2022 £'000
Beginning of year	92,719	104,153
Interest expense	2,404	1,977
Benefits paid	(4,051)	(5,547)
Actuarial gain	(24,042)	(7,503)
Experience loss/(gain) on liabilities	2,064	(294)
Changes to demographic assumptions	(1,044)	(67)
End of year	68,050	92,719

Reconciliation of fair value of plan assets

	2023 £'000	2022 £'000
Beginning of year	121,393	119,861
Interest income	3,163	2,284
Employer contributions	–	–
Benefits paid	(4,051)	(5,547)
Administration expense	(54)	–
Return on assets less interest	(13,271)	4,795
End of year	107,180	121,393

Composition of plan assets

	2023 £'000	2022 £'000
Equities	–	42,282
Corporate bonds	40,556	28,728
Property	3,138	11,419
Cash	13,024	2,459
Diversified Growth Fund	–	21,070
Gilts	50,462	15,435
Total plan assets	107,180	121,393

KILLINCHY AEROSPACE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023****28. Pension and post-retirement benefits (continued)**

The amounts recognised in the Consolidated Statement of Financial Position are determined as follows:

	2023 £'000	2022 £'000
Fair value of plan assets	107,180	121,393
Present value of plan liabilities	(68,050)	(92,719)
Surplus in scheme	39,130	28,674
Restriction of surplus	(39,130)	(28,674)
Net pension (liability)	-	-

The amounts recognised in the Consolidated Statement of Comprehensive Income are as follows:

	2023 £'000	2022 £'000
Administrative expense	54	-
Interest income on plan assets	(3,163)	(2,284)
Interest expense on liabilities	2,404	1,977
Interest on effect of asset ceiling	760	307
Total charge to Consolidated Statement of Comprehensive Income	55	-

The amounts recognised in Other Comprehensive Income are as follows:

	2023 £'000	2022 £'000
(Loss)/gain on assets in excess of interest	(13,271)	4,795
Experience (loss)/gain on liabilities	(2,064)	294
Gain from changes to demographic assumptions	1,044	67
Gain from changes to financial assumptions	24,042	7,503
Loss from change in effect of asset ceiling	(9,696)	(12,659)
Total remeasurement gain	55	-

The principal actuarial assumptions used were as follows:

	2023	2022
Discount rate	4.70%	2.65%
Future salary increases	3.60%	3.80%
RPI Inflation rate	3.55%	3.80%
CPI Inflation rate	2.85%	3.05%

Mortality rate

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics and scheme experience.

The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date (aged 65 now) is as follows:

	2023 Years	2022 Years
Male	86.5	86.7
Female	88.7	89.2

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date (aged 45 now) is as follows:

	2023 Years	2022 Years
Male	88.1	88.3
Female	90.4	90.9

KILLINCHY AEROSPACE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023****28. Pension and post-retirement benefits (continued)**

A quantitative sensitivity analysis on the value placed on the liabilities, for significant assumptions and their approximate effect on the liabilities, is as shown below:

	2023 £'000	2022 £'000
Discount rate -0.25%	2,212	3,670
Inflation +0.25%	891	1,612
Mortality 90% SP3XA	2,085	3,301

Defined contribution

The UK Companies contribute to a Group SIPP arrangement administered by Hargreaves Lansdown in order to comply with the requirements for auto-enrolment. The pension cost charge for the year amounted to £4,452,000 (2022: £4,421,000).

Martin-Baker America Inc. operates a defined contribution pension scheme. The pension cost charge for the year amounted to £312,000 (2022: £249,000).

Martin-Baker Australia Pty also operates a defined contribution pension scheme. The pension cost charge for the year amounted to £41,000 (2022: £34,000).

29. Contingent liabilities

At 31 March 2023, the Group had contingent liabilities relating to performance guarantees totalling £18,309,000 (2022: £12,870,000).

The Group has on occasion been required to take legal action to protect its intellectual property rights, to enforce commercial contracts or otherwise and similarly to defend itself against proceedings brought by other parties, including in respect of contractual issues.

No provision is made for proceedings which have been or might be brought by other parties unless management, taking into account professional advice received, assesses that it is more likely than not that such proceedings may be successful.

Contingent liabilities associated with such proceedings have been identified but the Directors are of the opinion that any associated claims that might be brought can be resisted successfully and therefore the possibility of any outflow in settlement is assessed as remote.

30. Related party transactions

In the year to 31 March 2023, the Group had, in aggregate, the under noted values of transactions with Safran Martin-Baker France SA ("SMBF") and SICAMB S.p.A. ("SICAMB").

All balances are unsecured and are settled in cash.

	2023 £'000	2022 £'000
Turnover	15,617	11,336
Purchases	(963)	(1,037)
Royalties receivable	263	122
Commission expense for the year	(3,913)	(2,040)
Interest receivable	-	-
Dividends received (note 15)	2,830	7,298
Balance owed to the Group at the year end	5,007	3,999
Provision for bad debt	-	-

Remuneration of key management personnel

The remuneration of key management personnel, who are also directors amounts to £1,712,000 (2022: £1,637,000), as disclosed in note 8.

31. Controlling party

No one party has overall control over the holding company of the Killinchy Aerospace Holdings Limited Group. The holding company has control over all the Group subsidiary companies.