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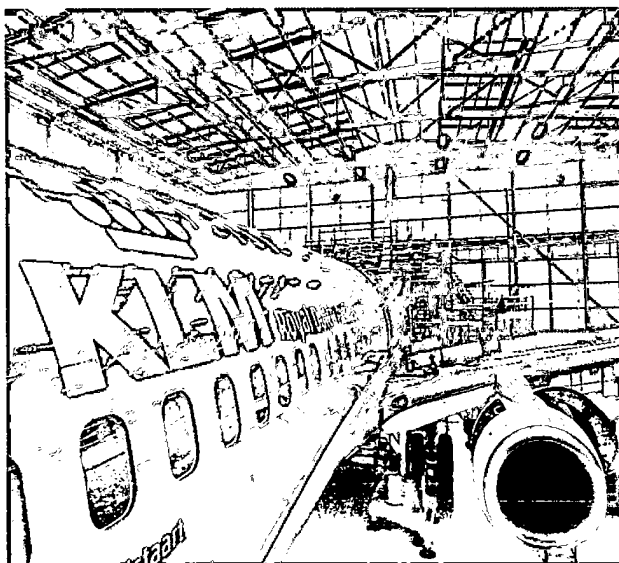
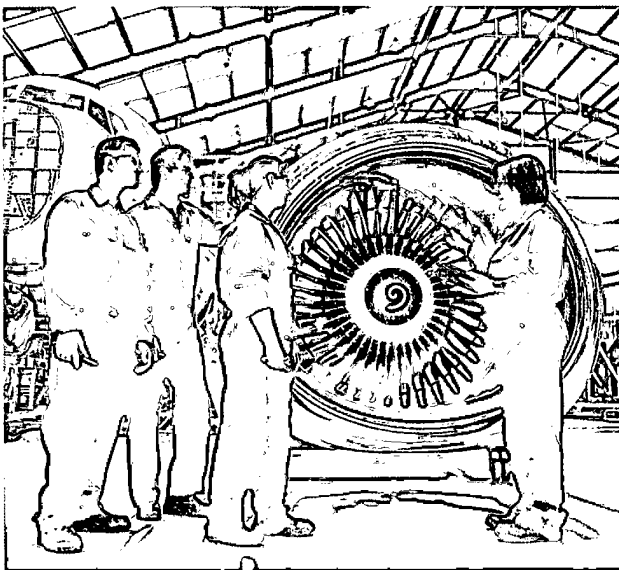
COMPANIES HOUSE

KLM UK Engineering

Annual report and financial statements

Registered number 02513110

Year ended 31 December 2022



Safety



Integrity



Innovation



Teamwork



Excellence

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Strategic report

Review of the business, future developments & principal risks and uncertainties

KLM UK Engineering Ltd is engaged in aircraft maintenance services and technical training.

Macro effects

The rapid economic recovery from the COVID-19 pandemic led to record job vacancies and employment in the UK in 2022. Combined with the effect of the war in Ukraine, inflation increased to historically high levels. These effects were felt particularly acutely in the aviation industry and impacted the Company's ability to recruit and retain personnel, especially aircraft engineers. The Company implemented significant pay increases in 2022 and this assisted with recruitment of new personnel and retention of valued colleagues. The pay awards did however materially affect the company's financial performance. Charge rates to most Customers were increased towards the end of 2022 but could not be increased as much as costs. Increasing volumes and rates will remain a focus in 2023.

Business overview

The current range of aircraft we support is as follows:

- Boeing 737 all types
- Embraer E jets
- Avro RJ / Bae146
- Airbus A320 family

In 2022 the Boeing 737NG provided most of the Base Maintenance revenue (53%), followed by Embraer E jets (31%). The first Boeing 737 MAX Base Maintenance check was performed in 2022. This is in line with our strategy to continue to focus on Boeing 737s whilst increasing Embraer E jet activity.

Line Maintenance activity recovered rapidly in 2022 with revenue more than doubling compared to 2021, although still significantly below 2019 level. The Line Maintenance market remains very competitive, and the decision was taken towards the end of 2022 to add new capabilities to prepare for the next generation of aircraft. Embraer E2 approval was added in 2022 and training was planned for Airbus A220 and A320NEO.

Base Maintenance capacity was increased by 20% in 2021 by moving into a new hangar. However, turnover was limited in 2022 through personnel shortages. Towards the end of 2022 and into 2023 the personnel situation has improved, and the company is confident of delivering growth in 2023. Seasonal workload was again a challenge in 2022, with lower demand for summer slots, but this challenge is being addressed through marketing efforts with new customers and close co-operation with existing customers. 2023 summer workload demand is expected to be much higher than 2022.

The Company continues to operate a Technical College providing aircraft maintenance training to employees and external customers. The products we deliver are: EASA Part 66 B1 Licence/Degree course in Aircraft Engineering, B1/B2 Basic training, Compliance training, Virtual Learning Environment (VLE), Type training and Apprentice training. A new dedicated training website was launched in 2022 and this has helped to grow sales. Our first Embraer E2 aircraft type course was delivered in 2022.

The Company participates in a multi-employer Defined Benefit Pension Scheme. This scheme has a limited number of active members but a significant number of deferred and pensioner members. With the exception of the actuarial gain, which is shown in the statement of other comprehensive income on page 13, pension costs are included in the Profit and Loss Account. The Company share of the pension scheme assets and liabilities is reassessed annually based on the accrued benefits of their respective members, and the transfer of pension liability between participant companies is also included in the statement of other comprehensive income.



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Strategic report (continued)

The substantial financial loss for 2022, combined with ongoing pension deficit contributions, significantly impacted the Company's cash position. In February 2023, KLM N.V. injected £9.7m into the Company and received shares for the same amount. The Company subsequently paid off a loan of £4m and cleared its overdraft.

Sustainability

This year we have worked with Carbon Footprint Ltd to assess our baseline carbon footprint and investigate initiatives to reduce our impact on the environment.



In recent years we have taken steps to start replacing all of our lighting with LED's, this continued in 2022 with the addition of PIR sensors to certain areas of the business. Our new Hangar, which opened in 2021, has 765 solar panels on the roof, producing 250MWh in 2022. This reduced our carbon emissions by 50.25 CO₂e (Carbon Dioxide Equivalent).

2023 will see the creation of a new full-time role tasked with managing Sustainability and reducing our impact on the environment. Also, the introduction of an employee electric vehicle salary sacrifice scheme, on top of our already popular cycle to work scheme, will help to reduce the environmental impact of our employees travelling to work.

Energy and Greenhouse Gas Report

KLM UK Engineering Limited appointed Carbon Footprint Ltd, a leading carbon and energy management company, to independently assess its Greenhouse Gas (GHG) emissions in accordance with the UK Government's 'Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance'.



The GHG emissions have been assessed following the GHG Protocol standard and has used the 2022 emission conversion factors published by Department for Environment, Food and Rural Affairs (Defra) and the Department for Business, Energy & Industrial Strategy (BEIS). The assessment follows the dual reporting approach for assessing Scope 2 emissions from electricity usage. The operational control approach has been used.

The following table summarises the GHG emissions for reporting year: 1 January 2022 to 31 December 2022. This is the first year KLM UK Engineering Limited has assessed its emissions, and this will set the baseline for future assessments.

Market-based emissions are reported as higher than location-based results due to the electricity tariffs used in 2022 by KLM UK Engineering Limited, which are more carbon intensive than the UK national grid.



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Strategic report (continued)

Element	2022 Location-based (tCO ₂ e)	2022 Market-based (tCO ₂ e)
Direct emissions (Scope 1) – natural gas, petrol, diesel gas oil & propane	239.76	239.76
Indirect emissions (Scope 2) - Purchased electricity	242.95	515.86
Total tCO₂e (Scope 1 & 2)	482.71	755.62
Other indirect emissions (Scope 3) – grey fleet travel	16.48	16.48
Total tCO₂e (Scope 3)	16.48	16.48
Gross Total (Tonnes of CO₂e)	499.19	772.10
Intensity metric: Tonnes of CO₂e per £M turnover	15.58	24.10
Total energy consumption (kWh)	2,544,233	

Summary

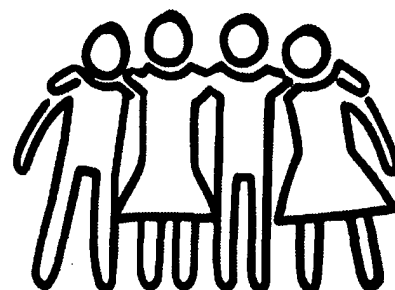
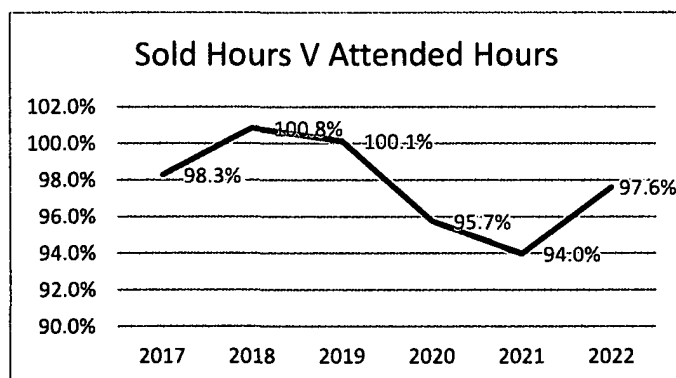
People are our greatest asset and the focus for 2023 is to recruit, retain and engage. This will provide stability and growth and enable us to deliver ongoing high customer satisfaction. Combined with market demand this should enable the Company to further increase charge rates. The combination of improved efficiency, higher volumes and increased charge rates should lead to improving financial performance.

Key Performance Indicators

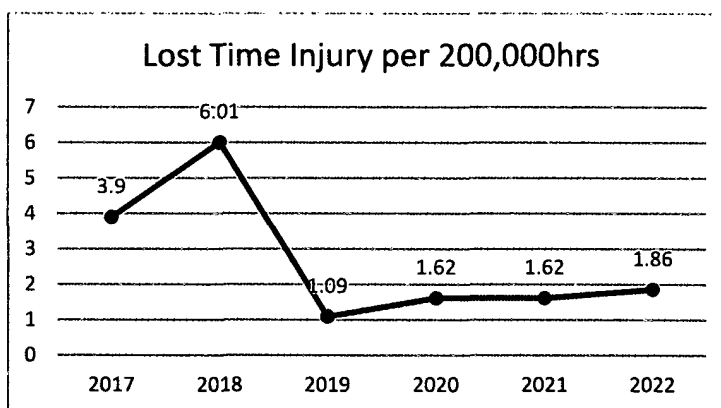
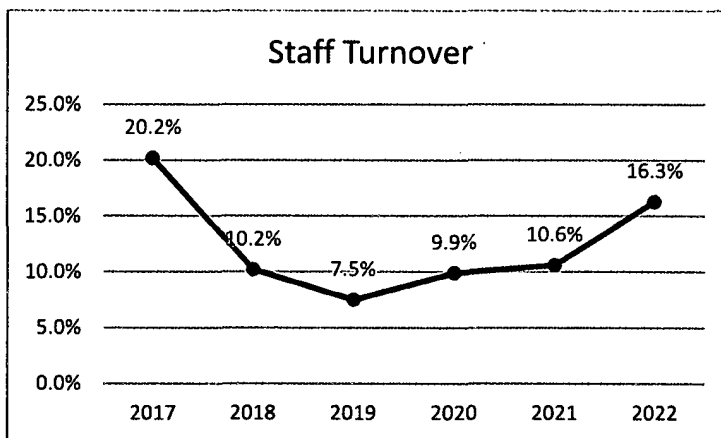
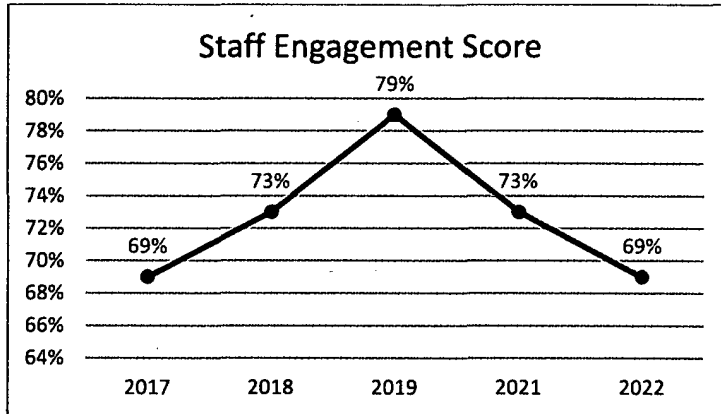
KLM UK Engineering Ltd has defined Key Performance Indicators (KPIs) to align performance and accountability to its strategic plan. The company's KPIs include financial performance measures that are aligned to the company's strategy with the aim to deliver sustainable growth for stakeholders.

The financial measures are revenue, operating profit, profit before taxation and cash generation. Revenue was similar to prior year, with operating profit, profit before taxation and our cash generation reducing when compared to the prior year.

Non-Financial KPIs



Strategic report (continued)



Strategic report (continued)

Post Balance sheet Event

On 28 February 2023 the company was recapitalised with the issue of £9.7m of ordinary shares purchased by KLM Royal Dutch Airlines N.V. Below is a proforma Balance sheet comparing the position as at 31 December 2022, compared to a proforma position if this recapitalisation had taken place on the 31 December 2022.

Proforma Balance Sheet As at 31 December 2022

	If Recapitalised at 31 December 22		Actual per page 17	
	2022 £000	2022 £000	2022 £000	2022 £000
Fixed assets				
Tangible assets		4,957		4,957
Right of use assets		12,691		12,691
		<hr/>		<hr/>
Current assets				
Stocks	485		485	
Debtors	9,431		7,628	
Cash at bank and in hand	89		89	
	<hr/>		<hr/>	
Creditors: amounts falling due within one year	10,005 (6,814)		8,202 (10,711)	
	<hr/>		<hr/>	
Net current assets		3,191		(2,509)
		<hr/>		<hr/>
Total assets less current liabilities		20,839		15,139
		<hr/>		<hr/>
Creditors: amounts falling due after more than one year	15	(13,450)		(17,450)
		<hr/>		<hr/>
Net (Liabilities)/assets excluding the pension Asset		(7,389)		(2,311)
		<hr/>		<hr/>
Pension Asset		2,380		2,380
		<hr/>		<hr/>
Net Assets		9,769		69
		<hr/>		<hr/>
Capital and reserves				
Called up share capital		40,700		31,000
Profit and loss account		(30,931)		(30,931)
		<hr/>		<hr/>
Shareholders' Surplus/(Deficit)		9,769		69
		<hr/>		<hr/>



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Strategic report (continued)

Directors statement of compliance with duty to promote the success of the Company

We report here on how the directors have performed their duty under Section 172 of the Companies Act 2006 and set out a series of matters to which the directors must have regard in performing their duty to promote the success of the Company for the benefit of its shareholders, which includes having regard to other stakeholders.

It is crucial that the Company maintains a reputation for the highest standards of business conduct and the directors are responsible for setting, reviewing and upholding culture, values, standards, ethics and reputation of the Company to ensure its obligations to key stakeholders are met. By using the core values of the business (safety, integrity, innovation, teamwork and excellence) we aim to sustain and develop strong, stable, profitable partnerships with all our customers, employees and suppliers by providing outstanding innovative services.

During the year, the directors consider that they at all times acted in a way, and have made decisions that would most likely promote the success of the Company and for the benefit of its members as a whole. In making these decisions we have paid particular attention to:

- The likely consequences of any decision in the long term
- The interests of the Company's employees
- The need to build strong business relationships with suppliers, customers and other stakeholders
- The impact the Company's operations has on the community and environment
- The desire to maintain the Company's reputation for high standards of business
- The need to act fairly between members of the Company

The Company's engagement with who it regards as its key stakeholders is summarised as follows:

Our People

We have a range of ways in which we engage and seek feedback from our employees, getting them involved in projects. We encourage all our employees to share their ideas and opinions to maximise their involvement and contribution to the business.

Our Customers

We constantly engage with our customers, recognising the importance of building strong relationships with them, keeping them informed of the service we provide and tailoring it to their needs.

Our Suppliers

We work closely with all our suppliers, ensuring that we both understand each other's businesses, objectives and goals to ensure the best outcome for both parties. This enables us to build long term beneficial relationships with them.

Our Shareholders

The Company is a subsidiary undertaking of Koninklijke Luchtvaart Maatschappij N.V. (also known as KLM Royal Dutch Airlines) which is the ultimate parent company incorporated in The Netherlands. The ultimate controlling party is Societe Air France KLM S.A., which is incorporated in France. We ensure we keep them both updated regularly on all developments.

Our Community

The Company contributes frequently to charities and local organisations within the surrounding areas.



Strategic report *(continued)*

Our Environment

The company is aware of its impact on the surrounding environment and aims to reduce its energy consumption and use of resources.

By order of the board



Wayne Easlea
Director

Date: 31st March 2023



Directors' report

Principal activity

The principal activity of the Company is aircraft maintenance services and technical training.

Results for the year and dividends

The result for the year after taxation amounted to a loss of £2,712k (2021: £1,583k loss). The directors did not recommend the payment of a dividend during the year (2021: £Nil).

After taking account of movements on the defined benefit pension scheme, the total comprehensive income for the year was £8,343k (2021: £4,264k). The significant gain on the defined benefit pension scheme returned the Company to a net asset position at the year end of £69k (2021: £8,274k net liabilities).

Directors

The directors who held office during the year, and to the date of this report, were as follows:

Wayne Easlea	(Managing Director from 14th November 2022)
Peter van der Horst	(Temporary Managing director from 15th August 2022 until 13th November 2022)
Perwien Meriwani	(Managing Director until from 14th August 2022)
Jozefs Veenstra	
Gijsbert Woelders	
Mathieu Essenberg	(Resigned on 16th November 2022)

No director in office at 31 December 2022 had any disclosable interest in the shares of Koninklijke Luchtvaart Maatschappij N.V. (also known as KLM Royal Dutch Airlines), KLM UK Engineering Limited or any other group company during the year. In addition, no rights to subscribe for shares of Koninklijke Luchtvaart Maatschappij N.V. (also known as KLM Royal Dutch Airlines), KLM UK Engineering Limited or any other group company were issued during the year.

Employee involvement policy

During the year the Company continued its policy of regular meetings with employees and their representatives within the limitations of commercial confidentiality and security. It is the Company's practice when making decisions, to take into account the views of the employees

Disabled persons policy

In compliance with current legislation, a Company policy is in existence for encouraging the employment of disabled persons, where this is practical. Endeavours are made to ensure that disabled employees benefit from training and other development programmes in common with all employees.

Political contributions

The Company made no political donations or incurred any political expenditure during the year.



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Directors' report *(continued)*

Financial risk management objectives and policies

Price risk

The Company is exposed to price risk through the indirect impact of competitor activities. Our pricing structure is consistently reviewed via RFP/tenders that we are involved in on a regular basis. It is the policy of the Company to ensure that the Company's products and services are competitively priced, whilst reflecting the quality of products and services supplied.

Credit risk

Credit risk is the risk customers will default on their obligation to make payment for the product or services supplied. In some circumstances advance payments are required for new customers and we continue to ask a number of customers for payment before departure of aircraft.

Foreign currency risk

Foreign currency risk is the risk that the fair value of a financial instrument or future cash flows will fluctuate because of changes in foreign exchange rates. The majority of the Company's revenue is generated in sterling; however, a proportion is billed in euros and US dollars. The principal exposure relates to euros as US dollars are hedged by purchasing parts from Boeing. The Company has a policy of natural hedging wherever possible. For Euros we also have forward contracts with Koninklijke Luchtvaart Maatschappij N.V. (also known as KLM Royal Dutch Airlines), these cover the projections for the financial year and are arranged annually.

Interest rate risk

The Company is exposed to interest rate risk on its £4m loan from Koninklijke Luchtvaart Maatschappij N.V. (also known as KLM Royal Dutch Airlines), which is based on a 3-month LIBOR rate.

As of the 28 February 2023 the loan was repaid.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The risk is mitigated as the Company has access to a £3m overdraft facility provided by Koninklijke Luchtvaart Maatschappij N.V. (also known as KLM Royal Dutch Airlines).

Principle risks and uncertainties

Labour availability risk

There has been a loss of skilled and administrative staff, primary due to competitors in other UK regions offering larger salaries for the smaller pool of labour that is facing many companies after Covid pandemic years.

Mitigating action(s)

Salaries of aircraft engineers were increased in both April and October 2022 to try and reduce staff turnover.
Continuation of Engineering Apprenticeship scheme

Base Maintenance Seasonality Risk

UK aircraft maintenance is still heavily orientated to the Winter period (Nov-Mar), trying to sell maintenance slots for the Summer months for the available manpower is an annual ongoing challenge.



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Mitigating action(s)

Seasonal shift pattern designed to take hours out of the Summer and moved to the Winter period continues to partially mitigate this risk

Sales efforts highly focused on selling the Summer period and looking at areas of the world with the opposite seasonality of aircraft maintenance.

Inflation risk

Increased inflation has caused suppliers to re-evaluate their costs which may not be able to be passed on to our customers.

Mitigating action(s)

Rates to Customers were reviewed and renegotiated where possible

Matters covered within the Strategic Report

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

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor reappointment

The auditors, Larking Gowen LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

By order of the board



Wayne Easlea
Director

Date: 31st March 2023

Registered Office
Liberator Road
Norwich Airport
Norwich
Norfolk
NR6 6ER



Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice, including FRS 101 *Reduced Disclosure Framework applicable in the UK and Republic of Ireland*).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Independent Auditor's Report to the Members of KLM UK Engineering Limited

Opinion

We have audited the financial statements of KLM UK Engineering Limited (the 'Company') for the year ended 31 December 2022, which comprise the Profit and Loss Account, Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its gain for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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



Independent Auditor's Report to the Members of KLM UK Engineering 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



Independent Auditor's Report to the Members of KLM UK Engineering Limited *(continued)*

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.

Due to the field in which the company operates, we identified the areas most likely to have a material impact on the financial statements as compliance with UK tax legislation, UK accounting standards and compliance with the UK Companies Act. In addition, we considered the provisions of other laws and regulations which whilst not having a direct impact on the financial statements, are fundamental to the Company's ability to operate, including, health and safety, employment law, and compliance with various other regulation relevant to the conduct of the Company's operations.

Our approach to identifying and assessing the risk of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, included the following:

- enquiries with management, including the Compliance Monitoring Manager, about any known or suspected instances of non-compliance with laws and regulations and fraud;
- reviewing correspondence with regulators, including Civil Aviation Authority;
- reviewing board minutes;
- reviewing Internal Audit and Internal Fraud Risk reports;
- reviewing financial statements disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the defined benefit pension scheme assumptions and the stock provisions; and
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation, even though the audit is properly planned and performed in accordance with the ISAs (UK). This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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



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Independent Auditor's Report to the Members of KLM UK Engineering Limited *(continued)*

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Larking Gowen LLP

Anders Rasmussen FCA (Senior Statutory Auditor)
for and on behalf of **Larking Gowen LLP**

Chartered Accountants and Statutory Auditors
Prospect House
Rouen Road
Norwich
NR1 1RE

31 March 2023



Profit and Loss Account
 For the year ended 31 December 2022

	Note	2022 £000	2021 £000
Turnover	2	32,035	32,134
Cost of sales		(27,842)	(28,022)
Gross profit		4,193	4,112
Administrative expenses		(5,909)	(5,306)
Government grants	4	14	618
Other operating expenses	3	(17)	(78)
Operating (loss)/profit	4	(1,719)	(654)
Other income	3	16	89
Other interest receivable and similar income	7	-	-
Interest payable and similar charges	8	(1,166)	(1,030)
(Loss)/profit before taxation		(2,869)	(1,595)
Taxation	9	157	12
(Loss)/profit for the financial year		(2,712)	(1,583)

Statement of Other Comprehensive Income
 For the year ended 31 December 2022

	Note	2022 £000	2021 £000
(Loss)/profit for the financial year		(2,712)	(1,583)
Other comprehensive income			
Gain/(loss) on remeasurement of defined benefit pension scheme	17	10,614	5,886
Transfer of pension liability between participant companies	17	441	(39)
Total comprehensive income for the financial year		8,343	4,264

The notes on pages 19 to 40 form an integral part of the financial statements



Balance Sheet
As at 31 December 2022

	<i>Note</i>	2022 £000	2022 £000	2021 £000	2021 £000
Fixed assets					
Tangible assets	10		4,957		5,169
Right of use assets	11		12,691		13,526
			<hr/>		<hr/>
Current assets					
Stocks	12	485		423	
Debtors	13	7,628		6,024	
Cash at bank and in hand		89		88	
		<hr/>		<hr/>	
		8,202		6,535	
Creditors: amounts falling due within one year	14	(10,711)		(6,120)	
		<hr/>		<hr/>	
Net current assets			(2,509)		415
			<hr/>		<hr/>
Total assets less current liabilities			15,139		19,110
			<hr/>		<hr/>
Creditors: amounts falling due after more than one year	15		(17,450)		(17,883)
			<hr/>		<hr/>
Net (Liabilities)/assets excluding the pension Asset/(Liability)			(2,311)		1,227
			<hr/>		<hr/>
Pension Asset / (Liability)	17		2,380		(9,501)
			<hr/>		<hr/>
Total Net Assets/(Liabilities)			69		(8,274)
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	18		31,000		31,000
Profit and loss account			(30,931)		(39,274)
			<hr/>		<hr/>
Shareholders' Surplus/(Deficit)			69		(8,274)
			<hr/>		<hr/>

These financial statements were approved by the board of directors and were signed on its behalf by:



Wayne Easlea

Director

Date: 31st March 2023

Company registered number: 02513110

The notes on pages 19 to 40 form an integral part of the financial statements



Statement of Changes in Equity

	Called up Share capital	Profit and loss account	Total equity
	£000	£000	£000
Balance at 1 January 2021	31,000	(43,538)	(12,538)
Total comprehensive income for the financial year			
Loss for the year	-	(1,583)	(1,583)
Other comprehensive income	-	5,847	5,847
Total comprehensive income for the financial year	-	4,264	4,264
Balance at 31 December 2021	31,000	(39,274)	(8,274)
Total comprehensive income for the financial year			
Loss for the year	-	(2,712)	(2,712)
Other comprehensive income	-	11,055	11,055
Total comprehensive income for the financial year	-	8,343	8,343
Balance at 31 December 2022	31,000	(30,931)	69

The notes on pages 19 to 40 form an integral part of the financial statements



Notes

(forming part of the financial statements)

1 Accounting policies

KLM UK Engineering Limited (the "Company") is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK ("Adopted IFRSs") but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The company's ultimate parent undertaking, of Koninklijke Luchtvaart Maatschappij N.V. (also known as KLM Royal Dutch Airlines) includes the Company in its consolidated financial statements. The consolidated financial statements of Koninklijke Luchtvaart Maatschappij N.V. (also known as KLM Royal Dutch Airlines) are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Amsterdamseweg 55, 1182 GP, Amstelveen, The Netherlands.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- The effects of new but not yet effective IFRSs;
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total;

As the consolidated financial statements of Koninklijke Luchtvaart Maatschappij N.V. (also known as KLM Royal Dutch Airlines) include the equivalent disclosures, the Company has also taken the exemption under FRS 101 available in respect of certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

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

1.1 Measurement convention

The financial statements are prepared on the historical cost basis. The amounts in the financial statements are presented in Sterling (£) and have been rounded to the nearest £1,000 unless otherwise stated.



Notes (continued)

1 Accounting policies (Continued)

1.2 Going concern

The £9.7m recapitalisation that took place on 28 February 2023 has greatly improved the cash and borrowings position of the Company

As part of their going concern assessment, the directors have considered the Company's position at the time of signing the financial statements. As part of this, the directors have prepared long term forecasts, taking into consideration expected trading performance, profitability and cash flow. The forecasts show that there may be times in the future, dependent on future trading, that the Company may require continuation of existing working capital facilities from the KLM-Air France Group, and at certain times may need further financial support from the Group. Formal confirmation has been provided by Group that existing facilities will remain in place and the additional support forthcoming if required.

Based on the above assessment, the directors have concluded that the Company will have adequate resources to continue in operation for the foreseeable future, and at least twelve months from the date of approval of these financial statements. They therefore continue to adopt the going concern basis in preparing the financial statements.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Plant and equipment 5-10 years
- Fixtures and fittings 4-10 years
- Motor vehicles 4 years

Leasehold properties and associated improvements are amortised over the period of the lease.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

The gain or loss on the disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in other operating income.



Notes (continued)

1 Accounting policies (Continued)

1.5 Changes in reporting standards

There were no new major standards or amendments applicable for the first time this year. There were several narrow scope amendments to the following standards, however none of these had an impact on the company's financial statements:

- Annual Improvements to IFRS Standards 2018-2020 Cycle
- IFRS 3 Business Combinations (reference to the Conceptual Framework)
- IAS 16 Property, Plant and Equipment (Proceeds before intended use)
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (onerous contracts: cost of fulfilling a contract)

1.6 Lease contracts

Lease contracts as defined by IFRS 16 "Leases", are recorded in the balance sheet, which leads to the recognition of:

- An asset representing a right-of-use of the asset leased during the lease term of the contract; and
- A liability related to the payment obligation.

Measurement of the right-of-use asset at the commencement date, the right-of-use asset is measured at cost and comprises:

- The amount of the initial measurement of the lease liability, to which is added, if applicable, any lease payments made at or before the commencement date, less any lease incentives received;
- Where relevant, any initial direct costs incurred by the lessee for the conclusion of the contract. These are incremental costs which would not have been incurred if the contract had not been concluded; and
- Estimated costs for restoration and dismantling of the leased asset according to the terms of the contract.

Following the initial recognition, the right-of-use asset must be depreciated over the useful life of the underlying assets.

Measurement of the lease liability at the commencement date, the lease liability is recognised for an amount equal to the present value of the lease payments over the lease term. Amounts involved in the measurement of the lease liability are:

- Fixed payments (including in-substance fixed payments; meaning that even if they are variable in form, they are in-substance unavoidable);
- Variable lease payments that depend on an index or a rate, initially measured using the index or the rate in force at the lease commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise this option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.



Notes (continued)

1 Accounting policies (Continued)

The lease liability is subsequently measured based on a process similar to the amortised cost method using the discount rate:

- The liability is increased by the accrued interests resulting from the discounting of the lease liability, at the beginning of the lease period; and
- Less payments made.

The interest cost for the period as well as variable payments, not taken into account in the initial measurement of the lease liability and incurred over the relevant period are recognised as costs. In addition, the lease liability may be remeasured in the following situations:

- Change in the lease term;
- Modification related to the assessment of the reasonably certain nature (or not) of the exercise of an option;
- Remeasurement linked to the residual value guarantees; and
- Adjustment to the rates and indices according to which the rents are calculated when rent adjustments occur.

1.7 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average.

1.8 Financial Instruments

Financial assets and liabilities are initially measured at fair value.

Short term trade debtors principally arise from the provision of goods and services to customers. They are initially measured at fair value plus transaction costs that are directly attributable to their acquisition or issues, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

All other recognised financial assets are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Borrowings are initially measured at fair value net of any transaction cost directly attributable to the issue of the instrument. Such liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet.

1.9 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.



Notes (continued)

1 Accounting policies (Continued)

1.10 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

1.11 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of the plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

A number of the Company's employees are members of a group defined benefit pension plan. The net defined benefit cost of this plan is charged to participating entities on the following basis:

- contributions for future accrual are based on the employees who are active in the defined benefit pension plan
- shortfall funding payments are based on the past service liability associated with each participating employer

A defined benefit plan surplus is recognised at the lower of the surplus, and the scheme's asset ceiling. The asset ceiling is the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.



Notes (continued)

1 Accounting policies (continued)

1.12 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.13 Turnover

Base Maintenance Aircraft Inputs

Turnover and profit are recognised as work is completed during each aircraft maintenance check as customers have the obligation to pay for services actually received to date, in line with each contract.

Line Maintenance

Turnover and profit are recognised as work is completed daily/monthly as customers have the obligation to pay for services actually received to date, in line with each contract.

Educational Services

Turnover and profit are recognised spread evenly over the length of the academic course in line with contract.

Trading of spares

Turnover and profit are recognised upon completion on the sale of the spares when the transfer of the risks and rewards of ownership are passed to the customer.

Repair of aircraft parts

Turnover is recognised on the progress of the repair while profit is recognised upon completion work when the transfer of the risks and rewards of ownership are passed to the customer.

1.14 Government grants

Government grants are not recognised until there is a reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Government grants relating to staff costs are recognised as income over the periods necessary to match them with the related cost.

1.15 Expenses

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are capitalised in the balance sheet as per IFRS 16. Low value leases (less than £4,400) and leases less than 12 months are recognised on a straight line basis through the profit and loss account.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.



Notes (continued)

1 Accounting policies (continued)

1.16 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.17 Key accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. These are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Stock provision

The Company considers it necessary to review the recoverability of the cost of stock and the associated provision required. When calculating the stock provision, the Company considers the nature and condition of the stock, as well as applying assumptions around anticipated use.

Pension assumptions

The sensitivity analysis relating to the group defined benefit scheme which the company participates in, are disclosed in Note 17.

Internal rate of return

Under IFRS16, the Company is required to estimate the incremental borrowing rate in the context of a right of use asset if the implicit rate has not been provided by the lessor. Implicit rate has been set by Koninklijke Luchtvaart Maatschappij N.V. (also known as KLM Royal Dutch Airlines) the calculation is based upon the expected return and category of asset.



Notes (continued)

2 Turnover

	2022 £000	2021 £000
Sale of goods	54	41
Rendering of services	31,981	32,093
Total turnover	<u>32,035</u>	<u>32,134</u>

By activity:

	2022 £000	2021 £000
Aircraft Maintenance	30,966	31,222
Technical Training	957	912
Other	112	-
	<u>32,035</u>	<u>32,134</u>

By geographical market:

	2022 £000	2021 £000
UK	12,188	13,553
Europe	15,614	11,282
Middle East & Africa	1,501	6,708
Australia	2,030	265
Asia	73	46
Americas	629	280
	<u>32,035</u>	<u>32,134</u>



Notes (continued)

3 Other operating income / expenses

Included in other operating expenses are the following:

	2022 £000	2021 £000
Net(loss)/gain on disposal of tangible fixed assets	(17)	65
Dilapidations	-	(143)
	<u>(17)</u>	<u>(78)</u>

Included in other operating income are the following:

	2022 £000	2021 £000
Research and development tax refund	16	89
	<u>16</u>	<u>89</u>

4 Operating (loss) /gain and auditor's remuneration

Included in the operating (loss)/gain are the following:

	2022 £000	2021 £000
Depreciation of tangible assets	(1,673)	(1,644)
Income from short-term leasing of ROU assets	-	90
Government grant – UK job retention scheme	-	563
Government grant – Dutch NOW scheme	-	40
Government grant – Apprentice incentive	14	15
Impairment loss on stock	(25)	(32)
Foreign exchange loss	(16)	(77)
	<u></u>	<u></u>

Auditor's remuneration:

	£000	£000
Audit of these financial statements	18	18
	<u>18</u>	<u>18</u>



Notes (continued)

5 Staff numbers and costs

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

	Number of employees	
	2022	2021
Engineers	257	275
Office	135	135
	<hr/>	<hr/>
	392	410
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£000	£000
Wages and salaries	15,706	14,817
Social security costs	1,461	1,309
Contributions to defined contribution plans	1,415	1,281
Contributions to defined benefit plans (Current Service Cost)	28	27
	<hr/>	<hr/>
	18,610	17,434
	<hr/>	<hr/>

Included in wages and salaries are costs for the staff profit sharing scheme of £Nil (2021: £Nil).

6 Directors' remuneration

	2022	2021
	£000	£000
Directors' remuneration	303	304
Company contributions to money purchase pension plans	28	23
Expenses related to defined benefit plans	17	23
	<hr/>	<hr/>

The remuneration of the highest paid director was £122,462 (2021: £100,857), and company pension contributions of £16,661 (2021: £21,608) were made to the KLM defined benefit scheme on their behalf.

	Number of directors	
	2022	2021
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	2
Defined benefit schemes	1	2
	<hr/>	<hr/>



Notes (continued)

7 Other interest receivable and similar income

	2022	2021
	£000	£000
Net foreign exchange gain	-	-
	<hr/>	<hr/>
Total interest receivable and similar income	-	-
	<hr/> <hr/>	<hr/> <hr/>

Interest receivable and similar income includes income from group undertakings of £Nil (2021: £Nil).

8 Interest payable and similar charges

	2022	2021
	£000	£000
Net foreign exchange (Gain)/loss	(34)	110
Interest to Group Company	265	84
Interest on right of use assets	770	611
Net interest on net defined benefit pension plan liability	165	225
	<hr/>	<hr/>
Total other interest payable and similar charges	1,166	1,030
	<hr/> <hr/>	<hr/> <hr/>



Notes (continued)

9 Taxation

Recognised in the profit and loss account

	2022 £000	£000	2021 £000	£000
Current Tax				
Current tax on income for the period	-		-	
Payment for losses surrendered under group relief	157		12	
Total current tax	<u>157</u>	<u>157</u>	<u>12</u>	<u>12</u>
Deferred tax (see note 16)				
Origination and reversal of temporary differences	-		-	
Total deferred tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Tax on profit on ordinary activities		<u><u>157</u></u>		<u><u>12</u></u>

Reconciliation of total effective tax rate

	2022 £000	2021 £000
(Loss)/profit for the year	(2,869)	(1,595)
(Loss) excluding taxation	(2,869)	(1,595)
Tax using the composite UK corporation tax rate of 19% (2021: 19.00%)	(545)	(303)
Depreciation in excess of capital allowances	(104)	119
Timing differences on defined benefit pension scheme	(89)	(142)
Non-deductible expenses	2	1
(Utilisation)/Non-utilisation of tax losses	764	325
Other timing differences	(28)	-
Total	<u><u>-</u></u>	<u><u>-</u></u>



Notes (continued)

10 Tangible fixed assets

	Land and buildings £000	Plant and equipment, fixtures & fittings £000	Motor vehicles £000	Total £000
Cost				
Balance at 1 January 2022	4,364	8,116	141	12,621
Additions	205	338	9	552
Disposals	-	(210)	(7)	(217)
Balance at 31 December 2022	4,569	8,244	143	12,956
Depreciation and impairment				
Balance at 1 January 2022	1,511	5,814	127	7,452
Depreciation charge for the year	202	535	9	746
Disposals	-	(192)	(7)	(199)
Balance at 31 December 2022	1,713	6,157	129	7,999
Net book value				
At 1 January 2022	2,853	2,302	14	5,169
At 31 December 2022	2,856	2,087	14	4,957

Land and Buildings

The net book value of land and buildings comprises:

	2022 £000	2021 £000
Long leasehold	196	198
Short leasehold	2,660	2,655
	2,856	2,853

Short leasehold properties have leases of 20 years' duration or less. Long leasehold properties include leases with a duration of greater than 20 years.



Safety



Integrity



Innovation



Teamwork



Excellence

Notes (continued)

11 Right of Use Assets

	Real Estate £000	Other £000	Total £000
Cost			
Balance at 1 January 2022	16,156	970	17,126
Additions	55	38	93
Disposals	(41)	(9)	(50)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2022	16,170	999	17,169
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation and impairment			
Balance at 1 January 2022	3,075	525	3,600
Depreciation charge for the year	725	202	927
Disposals	(41)	(8)	(49)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2022	3,759	719	4,478
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value			
At 1 January 2022	13,081	445	13,526
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2022	12,411	280	12,691
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

12 Stocks

	2022 £000	2021 £000
Parts and consumables	485	423
	<hr/>	<hr/>
	485	423
	<hr/> <hr/>	<hr/> <hr/>

Parts, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £5,168,511 (2021: £5,486,263). The write-down of stocks to net realisable value amounted to £24,771 (2021: £31,575). The write-down is included in cost of sales.



Notes (continued)

13 Debtors

	2022 £000	2021 £000
Trade debtors	3,332	2,210
Amounts owed by parent undertakings	230	318
Amounts owed by group undertakings	1,241	1,115
Other debtors	196	249
Prepayments and accrued income	2,629	2,107
Financial Instruments	-	25
Due within one year	<u>7,628</u>	<u>6,024</u>

Debtors are stated after a bad debt provision charge recognised within the profit and loss account of £Nil (2021: £Nil).

14 Creditors: amounts falling due within one year

	2022 £000	2021 £000
Trade creditors	2,186	1,497
Amounts owed to parent undertakings	3,917	1,698
Obligations under right of use assets	236	284
Taxation and social security	415	366
Other creditors	631	1,201
Accruals and deferred income	3,326	1,074
	<u>10,711</u>	<u>6,120</u>

15 Creditors: amounts falling due more than one year

	2022 £000	2021 £000
Amounts falling due 1 – 5 years		
Amounts owed to parent undertakings	-	-
Obligations under right of use assets	491	1,056
Amounts falling due after 5 years		
Amounts owed to parent undertakings	4,000	4,000
Obligations under right of use assets	12,959	12,827
	<u>17,450</u>	<u>17,883</u>



Notes (continued)

16 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

There are no recognised deferred tax assets and liabilities.

Unrecognised deferred tax assets and liabilities

The elements of unrecognised deferred tax are as follows at 25%:

	2022	2021
	£000	£000
Defined benefit pension scheme surplus or deficit	(595)	2,375
Decelerated capital allowances	2,283	885
Tax losses carried forward from operating activities	770	4,947
	<hr/>	<hr/>
Total unrecognised deferred tax	2,458	8,207
	<hr/> <hr/>	<hr/> <hr/>



Notes (continued)

17 Employee benefits (Continued)

Defined benefit schemes

The Company participates in a group defined benefit scheme for qualifying employees. Under the scheme, the employees are entitled to retirement benefits based on attainment of a retirement age of 65 and a combination of 1/60th final salary for each complete year and month of pensionable service completed to 31 March 2005 and 1/70th final salary for each complete year and month of pensionable service completed from 1 April 2005. In addition, the service period is limited to 40 years. The last triennial valuation of the plan assets and the present value of the defined benefit liability were carried out at 31 December 2021 by Capita.

Sufficient information is available to identify the company's proportionate share of the defined benefit obligation, plan assets and costs associated with the plan. As such the Company accounts for its proportionate share in the same way as for any other defined benefit plan.

The Group sponsors defined benefit schemes for qualifying employees of its subsidiaries. The defined benefit schemes are administered by a separate fund that is legally separated from the Company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

The scheme exposes the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk. The risk relating to benefits to be paid to the dependants of scheme members is not re-insured by an external insurance company.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the plan liabilities, the trustees of the pension fund consider it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund. Virtually all equity and debt instruments have quoted prices in active markets and are classified as Level 1 instruments. Derivatives are classified as Level 2 instruments. There are no Level 3 financial instruments.
Interest risk	A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the capital value of the asset.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit liability for IAS19 were carried out at 31 December 2022 by Capita. The present value of the defined benefit liability, and the related current service cost and past service cost, were measured using the projected unit credit method.



Notes (continued)

17 Employee benefits (continued)

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages)

	2022	2021
Discount rate at 31 December	4.80%	1.85%
Expected return on scheme assets	4.80%	1.85%
Future salary increases (Refer * below)	2.00%	2.00%
Inflation assumption	3.35%	3.55%
Future pension increases:		
- Post 6.4.97 accrual	3.20%	3.40%
- Pre 6.4.97 non-GMPs LPI 3%	2.50%	2.60%
- Pre 6.4.97 non-GMPs LPI 5%	3.20%	3.40%
- Pre 88 GMP	Nil	Nil
- Post 88 GMP	2.30%	2.40%

* - Future salary increases to be fixed at 2.0% per annum.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables with modifications to reflect expected changes in mortality (S1NA tables with a 1.2% long term rate of improvement). The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 21.7 years (male), 24.5 years (female).
(2021: 21.8 years (male), 24.5 years (female))
- Future retiree upon reaching 65: 23.0 years (male), 25.9 years (female).
(2021: 23.0 years (male), 25.8 years (female))

The information disclosed below is in respect of the share of the assets and liabilities which the company has been allocated under an agreed group policy throughout the periods shown.

	2022 £000	2021 £000
Total defined benefit asset	34,433	45,945
Total defined benefit liability	(32,053)	(55,446)
Total net asset/(liability) in respect of employee benefits	2,380	(9,501)

The scheme surplus of £2,380,000 has been considered in light of the requirements of IFRIC 14 and the Trust Deed and Rules and is recognised in full in the financial statements.



Notes (continued)

17 Employee benefits (continued)

Movements in net defined benefit liability/(asset)

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability/(asset)	
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
Balance at 1 January	55,446	59,701	(45,945)	(43,601)	9,501	16,100
Included in profit or loss						
Current service cost	70	73	-	-	70	73
Past Service Cost – GMP equalisation	-	-	-	-	-	-
Interest cost/(Income)	1,013	856	(848)	(631)	165	225
Contributions paid by the employer	-	-	(1,061)	(1,050)	(1,061)	(1,050)
Included in OCI						
Remeasurement loss/(gain):						
Actuarial loss/(gain) arising from						
- Changes in demographic Assumptions	(222)	(1,129)	-	-	(222)	(1,129)
- Change in financial assumptions	(19,087)	(1,355)	-	-	(19,087)	(1,355)
- Experience adjustment	(484)	(865)	-	-	(484)	(865)
Return on plan assets (greater)/less than discount rate	-	-	9,179	(2,537)	9,179	(2,537)
Transferred to/from fellow group company participant	(3,144)	(6)	2,703	45	(441)	39
Other						
Net Individual transfers	(104)	(284)	104	284	-	-
Benefits paid	(1,435)	(1,545)	1,435	1,545	-	-
Balance at 31 December	32,053	55,446	(34,433)	(45,945)	(2,380)	9,501



Notes (continued)

17 Employee benefits (continued)

Plan assets	2022 £000	2021 £000
Cash and cash equivalents	444	226
Equity	16,769	22,070
Property	2,434	2,948
Bonds	1,255	1,404
Broad Opportunities Fund	3,016	3,544
Real LDI Fund	2,603	3,620
Nominal LDI Fund	329	666
Insured annuities	7,583	11,467
Total	34,433	45,945

The above assets represented a 9.76% share of the total scheme assets (2021: 10.37%).

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by one percent.

	2022		2021	
Change:	£000	£000	£000	£000
Discount rate	-1.0%	+1.0%	-1.0%	+1.0%
Salary increase	4,724	(3,819)	11,005	(8,523)
Pension increase rate	(88)	93	(274)	292
	(2,315)	2,264	(6,369)	5,773

In valuing the liabilities of the pension fund at 31 December 2022, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2022 would have increased by £1.26m before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 December 2022 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

The Company expects to pay £1,061,000 in contribution (not including expenses) to its defined benefit plans in 2023.



Notes (continued)

17 Employee benefits (continued)

Defined contribution plans

The Company operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was £1,414,729 (2021: £1,280,913). At the balance sheet date, £33,670 (2021: £30,502) was outstanding and recorded within creditors.

18 Capital and reserves

Share capital

	2022 £000	2021 £000
Authorised, Allotted, called up and fully paid		
31,000,000 Ordinary shares of £1 each	31,000	31,000
	<hr/>	<hr/>
	31,000	31,000
	<hr/>	<hr/>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

19 Obligations under leases and hire purchase contracts (continued)

The future minimum payments expected to be received under non-cancellable sublease agreements as at 31 December 2022 are as follows:

	2022 £000	2021 £000
Less than one year	27	41
Between one and five years	-	-
	<hr/>	<hr/>
	27	41
	<hr/>	<hr/>

20 Commitments

Capital commitments

During the year ended 31 December 2022, the Company entered into a contract to purchase plant and equipment in respect of which £117,363 (2021: £269,252) remains outstanding at the year end. These commitments are expected to be settled in the following financial year.



Notes (continued)

21 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Koninklijke Luchtvaart Maatschappij N.V. (also known as KLM Royal Dutch Airlines) which is incorporated in The Netherlands. The ultimate controlling party is Societe Air France KLM S.A., which is incorporated in France.

The largest group in which the results of the Company are consolidated is that headed by Societe Air France KLM S.A., which is incorporated in France. The smallest group in which they are consolidated is that headed by Koninklijke Luchtvaart Maatschappij N.V. (also known as KLM Royal Dutch Airlines) incorporated in The Netherlands. No other group financial statements include the results of the company. The consolidated financial statements of these groups are available to the public and may be obtained from 45, Rue de Paris, 95747 Roissy CDC Cedex, France.

22 Events after the balance sheet date

On 28 February 2023 the Company was recapitalised with £9.7m of ordinary shares issued to the parent company KLM Royal Dutch Airlines N.V. The recapitalisation cleared the £4m borrowings set out in note 15. Further details are included in the Strategic Report.

