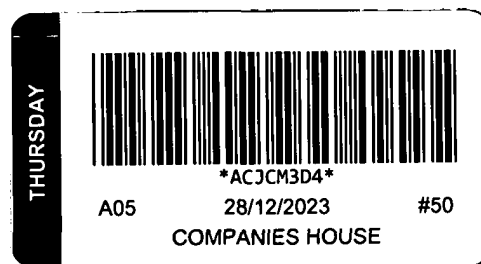


**Gardner Aerospace Holdings Limited**

Annual report and consolidated  
financial statements

Registered number 07978111

Year ended 31 December 2022



## **Contents**

Officials and professional advisers	1
Strategic report	2
Directors' report	10
Statement of directors' responsibilities in respect of the annual report and the financial statements	12
Independent auditor's report to the members of Gardner Aerospace Holdings Limited	13
Consolidated profit and loss account	17
Consolidated statement of comprehensive income	18
Consolidated balance sheet	19
Company balance sheet	20
Consolidated statement of changes in equity	21
Company statement of changes in equity	23
Consolidated cash flow statement	24
Notes	25

## **Officials and professional advisers**

<b>Directors</b>	P Visotschnig (Appointed 3 May 2022) LT Ford F Mery (Appointed 21 July 2022) J Cheetham (Appointed 24 January 2023) L Wang Y Wei
<b>Secretary</b>	PS Bon
<b>Registered office</b>	Unit 9 Victory Park Victory Road Derby Derbyshire DE24 8ZF
<b>Company registration number</b>	07978111
<b>Bankers</b>	National Westminster Bank 1 Princes Street London EC2R 8BP
<b>Solicitors</b>	BHW Solicitors 5 Grove Court Grove Park Enderby Leicestershire LE19 1SA
<b>Auditor</b>	PKF Smith Cooper Audit Limited Statutory Auditors Prospect House 1 Prospect Place Pride Park Derby DE24 8HG

## **Strategic report**

### **Background**

The Gardner Aerospace Holdings Limited Group of companies (“the Group” or “Gardner”), is one of the largest suppliers of metallic aerospace detail parts and sub-assemblies to the aerospace industry with manufacturing facilities in the UK, Europe and Asia.

The Group’s customers include Airbus, GKN, and other tier-1 aerostructure suppliers like Spirit and RUAG as well as other international companies in the aerospace sector. The Group has significant market share on all major Airbus aircraft platforms and serves other aerostructure markets including Boeing commercial aircraft and business jets. The Group has a broad detail part manufacturing capability, consisting of machining (including long-bed machining), sheet metal fabrication and a range of surface treatments. It also provides complex assembly, kitting, logistic and fast turnaround services to the aerospace industry.

In the year, the Group continued to execute its strategy of providing excellent service to its customers through a robust operating model, strong customer focus and world class manufacturing capability. This continues to be recognised by its customers, including Airbus who have again awarded Gardner D2P Global Partner status in the current year and subsequently in 2023. This is a sector leadership position both operationally and strategically, within the detail parts supply chain.

### **Continuing Recovery following the Covid-19 Pandemic**

Following decades of continued growth in aircraft build rates, aircraft build halted in 2020 and build rates reduced significantly. While in 2022 aviation and aerospace started to recover, the world’s economy was hit again by the Russian invasion of Ukraine, which caused energy prices to spike and created shortages in raw material supplies. This was compounded by unexpected COVID lockdowns in China that led to a slowdown in the world’s second-largest economy and more supply chain disruption. Meanwhile, aviation’s rebound was suppressed by widespread labour shortages, particularly in North America and Europe, that prompted flight delays and cancellations.

As a consequence, in 2022 Gardner has seen on-going modifications to its orderbook, delays in delivery of materials, increasing costs particularly in utilities, freight, and processing materials, labour shortages and production reductions that have led to premium working and later in the year inflationary factors that have led to higher than planned wage settlements and interest rate rises affecting borrowing.

Despite these headwinds Gardner has continued to prepare for the growth demands and accelerated ramp-ups forecast by its customers. In 2022, turnover has increased by 32.5% to £141 million, and headcount has increased from 1,530 to 1,678 employees with all sites back to full-time working.

Since 2020, restructuring of the Group has focussed upon increasing the percentage of manufacturing being undertaken in Poland and India, thereby lowering future manufacturing costs and reducing the break-even point for Gardner to below 2020 exit production volumes. No manufacturing or treatment process capability was lost as a result of the restructuring plan, protecting Gardner’s ability to support customers through the recovery of aircraft build rates.

## **Strategic report** *(continued)*

### **Future Outlook**

In line with market consensus and customer forecasts Gardner expects sales volume will continue to recover to 2019, pre-covid-19, levels by 2025/26. The Group is well positioned to benefit from the forecast rapid recovery in aircraft build rates and to pursue organic growth in the detail parts sector and adjacent markets.

The Group is focused on accelerating growth through delivering operational efficiency gains, investments in further capability and by securing new business. The Group's contractual base remains strong with demand for commercial jet aircraft supported by our customers' order books which still stand at historically high levels. The Group's strategy is to continue to develop the business to take advantage of its customers' desire to have fewer and larger suppliers, and for greater vertical integration. Expansion and investment in existing facilities and new equipment has continued in 2022 and further developments to support growth are planned in 2023 and 2024 across all our sites, including the development of our site in Chengdu, China.

The key strategic aims remain: -

- Secure alignment to Airbus growth strategy and protect market share based on continued excellent service to our customers;
- Utilisation of our best cost overseas manufacturing footprint to reduce cost, and improve efficiencies with continued investments;
- Grow the customer base and market share on other aerospace platforms;
- Focus on sustainability in all areas of the operation.

Despite both the higher gearing and foreign direct investment legislations, the Group considers that there will be further consolidation in the aerostructures market, which requires an active mergers & acquisition strategy. The Group continues to assess opportunities to provide access to broader capability and additional capacity to accelerate growth in the medium to long term.

### **Planning for Growth and further Capability**

Gardner enjoys a strong contractual position on both the A320 and A350 families of aircraft. For A320 Airbus continues to aim for aircraft final assembly line build rates of 65 per month by the end of 2024 and a rate of 75 by 2026. This compares to a rate of 45 at the beginning of 2022. For A350 their plan is for rate 9 by the end of 2025 again this compares to rate 5 at the beginning of 2022.

The Group considers that it is well placed to gain from future contractual awards by Airbus and other strategic customers. As such, the Group is focused on increasing its content on the A320 family and other growing aircraft platforms such as A220. While new order intake had a slow start in 2022, the Group's business development activity has eventually delivered new work wins worth £15 million per annum at full rate.

During 2023 the Group has negotiated pricing and other contractual amendments where financial viability has been significantly impaired by the impact of the Covid-19 pandemic and inflationary pressures. This action is part of a more general cost re-baselining process within the industry.

However, with approximately 80% of Gardner output in 2022 being assembled into an Airbus aircraft there continues to be a strategic focus in developing customer and market diversification. This includes expansion in the Passenger to Freight conversion sector and through additional work in Maintenance, Repair and Overhaul (MRO) and on future Urban Air Mobility (UAM) platforms such as eVTOLs.

Despite the difficult circumstances in 2020 to 2022, investment has continued, ensuring the business operates at a high level of operational efficiency and maintains manufacturing capacity to address the growth in demand driven by significant proposed increases in aircraft build rates over the next five years.

The Group is also focussed on investments in supply chain improvements including digitalisation of processes and enhancements to product delivery efficiencies.

## Strategic report *(continued)*

The Group will continue to expand its facilities in India and China to meet demand and customer expectations. The facility in Chengdu will function as a manufacturing location with broad and highly automated machining capability to support aerospace companies in China. Airbus production approvals were obtained in 2021, allowing initial sales in 2022.

## Financial Review and Key Performance Indicators

The key performance indicators on continuing activities are:

	<b>Year ended 31 December 2022</b>	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Annual Sales Growth %	<b>32.5%</b>	-8.8%	-46.4%	30.8%
Gross Margin % sales	<b>10.3%</b>	10.2%	10.1%	20.7%
Profit before Tax % on sales	<b>-17.9%</b>	-41.8%	-23.5%	3.8%
EBITDA pre-exceptional items	<b>-£8.1 million</b>	£2.6 million	£1.1 million	£24.7 million
Current Liquidity	<b>0.80</b>	1.24	1.42	1.03
Average net debt to EBITDA ratio	<b>-14.35</b>	35.47	70.78	3.11
Return on Capital Employed	<b>-17.4%</b>	-33.13%	-11.7%	8.7%

The Covid-19 outbreak and the Group's response to this continue to be key features in the result for the year:

- Sales were up by 32.5% as a consequence of the recovery of the pandemic through 2022. However, recovery of overheads through volume increases was impacted by global disruption of supply chain and inflationary factors from a combination of Covid-19 recovery and the Ukraine/ Russian war causing higher cost levels. Gross Margins have improved to 10.3%;
- A lower average USD rate of 1.2381 in the year compared to a rate of 1.3775 for the year to 31 December 2021 has not fully benefitted the result due to cashflow hedges taken out in 2021 at an average rate of 1.38. Foreign exchange losses from translation and hedge arrangements amounts to £5.2 million (Year ended 31 December 2021: £0.5 million gain);
- Development of the Chengdu facility has continued incurring a loss of £1.7 million (Year ended 31 December 2021: £0.5 million)
- Invoice discounting facilities increased by 11% to £18.5 million as a result of trading and an early payment of \$16 million debt in December 2022 that would normally be paid in 2023;
- Total borrowings, including invoice discounting facilities, increased by £20.4 million to £131.6 million. This included the reduction of the external bank loan of £6.2m and £24.9 million in additional shareholder loans as a result of funding requirements caused by Covid-19.

EBITDA pre-exceptional costs on continuing activities (Earnings before interest, tax, depreciation, amortisation and investment income) reduced down to -£8.1 million from profit of £2.6 million.

The exceptional cost in the year was a net expense of £2.8 million (Year ended 31 December 2021: net expense £29.4 million). This predominantly related to £1.8 million of groupwide restructuring action taken as a strategic recovery plan as a result of post COVID-19 (Year ended 31 December 2021: £2.1 million) and £1.4 million of refinancing costs. This is net of £0.3million of insurance proceeds.

Insurance claims associated with a fire at the Tczew facility during 2021 that caused substantial damage to the treatments plant, and claims related to a fire at the Consett facility in 2018 were on-going at the end of 2022. £1.5 million cost relating to the Tczew fire are treated as exceptional in 2021 due to the nature of the fire being a one-off event. Gardner was able to mitigate any disruption to the customer by transferring manufacturing elsewhere within the Group.

## **Strategic report** *(continued)*

### **Financial Review and Key Performance Indicators** *(continued)*

Finance charges for the year was a net payable of £5.5 million which is £0.2 million less than in 2021 driven by £2.3 million shareholder loan waiver in 2022. The resulting loss before tax for 2022 was £25.0 million compared to a loss before tax of £44.5 million in the previous year. The resulting loss of earnings at £25.2 million is £21.7 million better mainly driven by the one-off impairment loss in 2021.

The Current Liquidity ratio deteriorated to 0.80 (*Year ended December 2021: 1.24*) as net current assets decreased from £14.8 million to -£20.4 million. The adverse movement in net current assets of £35.2 million is influenced by:

- Increased borrowings particularly due to £26.5 million of bank debt becoming due within one year and invoice discounting facilities increasing by £1.8 million due to sales growth;
- Reduced trade debtors associated with \$16 million of customer receipts ahead of normal terms in 2022;
- An increase in trade creditors due to sales growth;
- Recovery of £1.0 million of taxes due;
- Negative fair value movements in derivative FX contracts.

The favourable movements in net current assets mainly relate to a £12.0 million increase in stock levels to support customer forecast orders and growth trends.

Net assets decreased from a deficit of £14.8 million to a deficit of £42.5 million during the year. Return on Capital Employed (*Defined as: Earnings before interest and tax / Average (Net Assets + Net Debt)*) has increased from -33.1% to -17.4% which is the result of net earnings and an increase of £24.9 million in shareholder loans to support the liquidity needs of the business.

Following the year end the parent company agreed to subscribe for £80 million of share capital.

### **Principal Risks and Uncertainties**

The Group's long-term objectives are to support increased profitability, improve returns to shareholders and continue investment in people, facilities, production capability and efficiency. In pursuing these objectives, the Group intends to maintain sound financial management and avoid excessive risks. The Group seeks to manage its financial risks relating to interest rates, foreign currency, liquidity and credit control.

The main risks and uncertainties the Group is exposed to are:

#### *Currency Risk*

A significant proportion of both sales and purchases are in foreign currency, particularly US Dollar. The Group's approach to controlling this risk is set out in the financial risk management section below.

#### *Civil Aviation Growth Rates*

A significant proportion of the Group's turnover is related to leading manufacturers' aircraft production levels. To control this risk the Group reviews its forward order book, manufacturers' forecasts and market data on passenger growth rates regularly and puts in place plans to add or reduce capacity or capability.

#### *Geopolitical Risk*

The global geopolitical situation results in the Group's ownership structure complicating relationships with certain potential customers. The company has a security agreement with the UK MoD in force, maintains a clear governance structure, and data firewalls with its shareholder to mitigate concerns.

## **Strategic report** *(continued)*

### **Financial Risk Management**

Funding and liquidity management of the Group are managed on a centralised basis by the Gardner Group Limited. The objectives are to protect the assets of the Group and the Company and to identify and then manage financial risk. These risks are described further below:

#### *Interest Rate Risk*

The Group finances its operations through a mixture of retained profits and borrowing facilities, including hire purchase and finance leases. For hire purchase and finance leases, the Group manages interest rate risk by fixing interest at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Board will monitor interest rate fluctuations resulting from economic changes on a regular basis.

#### *Currency Risk*

The Group has bank loans in foreign currency and transactional currency exposures arising from sales and purchases in currencies other than the Group's functional currency. Where practicable such transaction exposures are hedged under the Group's foreign exchange policy. This is achieved through natural hedging of sales and purchases in such currencies as well as forward contracts.

#### *Liquidity Risk*

The Group maintains committed facilities that are designed to ensure sufficient funding for the Group's operational requirements. At 31 December 2022, the Group had undrawn committed facilities of £4.6 million (*31 December 2021: £3.1 million*) in addition to £5.9 million of cash (*31 December 2021: £7.9 million*).

#### *Credit Risk*

The Group is exposed to credit related losses in the event of non-performance by counterparties to financial instruments. Credit risk is mitigated by the Group's policy of selecting counterparties with a strong long term credit rating and assigning financial limits to individual counterparties.

### **Going Concern**

The directors' assumption on going concern are set out in note 1.2 of the accounts. Having considered the basis of preparation of Gardner Aerospace Holdings Limited Financial Statements, the Directors are satisfied that it remains appropriate to prepare the Company Financial Statements on a going concern basis.

There remain uncertainties on the timing of the implementation of new Banking facilities provided by HSBC Bank (UK) PLC and HSBC Invoice Finance (UK) Limited which represent material uncertainties that may cast doubt on the Company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business.

### **Current funding facilities**

The Group is funded by a mixture of shareholder loans, asset backed lending and term loans, including facilities from NatWest that mature in 2023. This includes two balloon payments which have been repaid in 2023 for the borrowings of £9.0 million due in September 2023 and £17.8 million due in December 2023.

Gardner Aerospace's facilities with NatWest are subject to financial covenants and a £5.0 million minimum cash availability. Following a breach of the Group's financial covenants in March 2022, the shareholder confirmed in May 2022 that they would remedy the minimum cash liquidity and provided additional funding of £10.0 million between May and July 2022. The shareholder provided a further £12.5 million of loans during the period September to December 2022, which continuously secured the £5.0 million minimum liquidity.

During 2023, £48.6 million of further shareholder loans have been received to maintain the required minimum liquidity and to repay debt under the banking facilities as it fell due.

With the support of its shareholder, Gardner secured a working capital loan provided by CITIC bank allowing it to repay the NatWest final senior debt facilities of £17.8 million prior to its due date on 17 December 2023.

## **Strategic report** *(continued)*

In December 2023, credit approved facilities have been offered by HSBC Bank (UK) PLC for a £20 million revolving credit facility and HSBC Invoice Finance (UK) Limited for a £25 million receivables facility to replace £30 million of Asset Based Lending facilities provided by NatWest that matured on the 17 December 2023. To allow transition to HSBC, NatWest have agreed to extend these facilities initially to the 17 January 2024 with further reviews that could extend the facility to 30 April 2024. The HSBC facilities will be supported by guarantees from a member of the SDH group of companies, and Gardner has received a letter of intent from Sichuan Development Aviation Industry Investment Group Co Ltd that it intends to act as the guarantor.

### **Parent Company Support**

LAT through its subsidiaries Ligeance Investments Limited (“LIL”) and Gardner Aerospace Technology Co., Ltd (“GATL”) have continued to be supportive of the Group providing Loans of £25 million in 2020, £8 million in 2021, £22.5 million in 2022 and a further £48.6 million in 2023.

These loans have primarily been provided to Gardner Group Limited and its subsidiaries (“GGL”) as GGL provides security for the borrowings with the Group’s primary lender, NatWest.

LAT confirmed in a letter to the Directors dated 19 December 2022 that they would continue to support the reasonable on-going cash needs of Gardner Aerospace and its subsidiaries until the completion of refinancing. LAT would secure the minimum liquidity position of £5.0 million until September 2023 or the refinancing date, whichever date came earlier.

On 23 May 2023 LAT confirmed that they would continue to support the liquidity of the Group through to 30 September 2024.

In addition, with funding from Sichuan Development Holdings (“SDH”), LAT have provided security for a £17.75 million working capital loan provided by CITIC bank to Gardner in December 2023.

LAT has principally serviced its funding commitments to the Group through loan facilities from SDH. SDH is a significant shareholder of LAT and since 2022 SDH has been working on a share placement that would see SDH subscribe for a 200 million shares in LAT, resulting in SDH taking a controlling interest in LAT. This transaction was approved by the Shenzhen Stock Exchange on 29 November 2023 and subsequently approved by the regulatory authorities on 11 December 2023. The transaction was also subject to governmental approvals particularly in the UK and France. The French government approval was given in March 2022, whilst the UK Government consent in October 2022 was subject to certain remedy actions, in particular the reinforcement of the existing security agreement with the MoD, and certain governance changes.

Once the share placement is completed SDH will issue the necessary guarantees to support the new facilities provided by HSBC to Gardner.

On 9 October 2023 the LAT shareholder assembly confirmed an LAT board resolution to invest £80 million into Gardner’s equity. This is part of an Offshore Direct Investment proposal that was approved by Chinese regulators in December 2023. These funds can be used to repay shareholder and external loans and rebuilds a positive net asset position for the Group.

LIL, the immediate holding company, have confirmed by Board resolution that the Company will support the reasonable on-going operational cash needs of Gardner Aerospace Holdings Limited for the forthcoming 12 months. LIL and GATL have confirmed by Board resolutions their support to the Group for the forthcoming 12 months by confirming they will not seek the repayment of Loans to the Group during this period.

## **Strategic report** *(continued)*

### **Research and Development**

The Group has continued to invest in new technology and sought improvements to the quality of its services. The Company is engaged in key industry projects for the technology solutions required for aircraft of the future included lightweight material and electric aircraft. In 2022, Gardner has continued to support development programs for electric aircraft in the Urban Air Mobility sector.

### **Environmental Policy**

The Group is committed to a responsible approach to sustainability and environmental matters.

The Management of the Group seeks to minimise any adverse impact on the environment from all aspects of the Group's operations by means of sound environmental and sustainability policies and procedures, which take practical steps to control effectively or eliminate any known pollution risks, and where reasonably practicable improve use of resources. Specifically, capital expenditure is directed towards the replacement of hazardous materials with environmentally friendly alternatives, methods of minimising the environmental costs of disposal and recycling of waste and the reduction of energy consumption. The Group has installed solar panels at its Derby facility and will continue a roll out of installations across other sites where practical to do so, this is a further step in reducing its carbon footprint whilst benefiting from energy resilience. The Group has made a submission to the industry backed CDP (Carbon Disclosure Project) and has engaged a third-party specialist to support planning for an ESG road map for the next 3-5 years.

As the company has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under the SECR carbon reporting regulations and is not required to report on its emissions, energy consumption or energy efficiency activities. ESOS reporting has been completed in line with mandated requirements. The wider group is not required to disclose its carbon reporting due to its size and that of its subsidiaries.

### **Engagement with Suppliers, Customers, and other Business Relationships**

When making strategic decisions the Group takes into consideration the potential impact on its suppliers, customers, and other business relationships.

The Group has regularly meetings and communication with its customers and suppliers to review delivery and quality performance and to plan capacity and manufacturing supply requirements. This ensures the Group can support industry growth plans and deliver value to its customers. Focusing on sustainability in all aspects of its business has also been set as one of the key strategies.

## **Strategic report** *(continued)*

### **Employees**

Gardner is committed to fairness in pay and benefits, equality in the workplace and promoting the health and wellbeing of our employees.

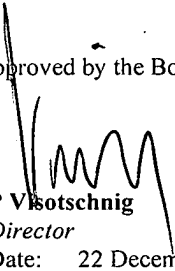
The Group has in place a programme for the recruitment and development of apprentices and considers this a priority for the business.

The Group seeks to ensure that all employees, job applicants and prospective job applicants, are afforded equality of job opportunity in all areas of employment. Application for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of the disabled person should, as far as possible, be identical to that of other employees.

The Group's Health & Safety Policy fully recognises the Company's responsibility for the health and safety of employees and members of the community in which they work. The Group continues to follow all regulations and adopt best practise to minimise the risk to employees of Covid 19.

The Group places considerable value on the involvement of its employees and has continued its practice of keeping them informed of matters affecting them as employees, and on various matters affecting the performance of the Gardner Group. This is achieved through regular meetings and briefings with all employees.

Approved by the Board of Directors and signed on behalf of the Board:



**P Visotschnig**

*Director*

Date: 22 December 2023

## **Directors' report**

The directors present their report on the affairs of Gardner Aerospace Holdings Limited and Subsidiary Undertakings (the "Group" or "Gardner") and its parent company, Gardner Aerospace Holdings Limited (the 'Company'), together with the financial statements and independent auditor's report, for the year ended 31 December 2022.

### **Share Capital and Control**

The Company is a wholly owned subsidiary of Ligeance Investments Limited which is a wholly owned subsidiary of Ligeance Aerospace Technology Co.Ltd ("LAT"), a company listed on the Shenzhen Stock Exchange.

### **Dividends**

The directors do not recommend the payment of a dividend (*Year ended 31 December 2021: £Nil*).

### **Section 172 Companies Act 2006.**

Section 172 of the Companies Act 2006 requires a Director of a company to act in a way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, Section 172 requires a director to have regard, amongst other matters, to the:

- Likely consequences of any decisions in the long term
- Interest of the company's employees
- Need to foster the company's business relationships with suppliers, customers and others
- Impact of the company's operations on the community and environment
- Desirability of the company maintaining a reputation for high standards of business standards
- Need to act fairly between members of the company

It is the directors' opinion that we have a robust business governance model and that throughout 2022, the directors had regard to the factors set out above in making the principal decisions taken by the company.

Gardner operates in a sector with a high degree of regulation and standards. The directors engage with suppliers regularly via contract reviews, site visits and quality and delivery information utilising an approved aerospace governance framework. Gardner also uses tools, such as its, supplier portal, to increase the engagement and performance level of suppliers within its supply chain.

Gardner is focused on exceeding the long-term expectations of our customers. As well as the regular performance review and operational interactions with customers, the Group participates in frequent strategic alignment events with its key customers, ensuring that its investments and improvement activities deliver tangible returns for customers as well as its other stakeholders.

The directors routinely engage with the ultimate shareholder, LAT, on topics of strategy, governance and performance. LAT receive monthly KPI updates. Two of the directors are LAT employees.

Due to the sensitivity of its ownership structure, the company operates an audited and comprehensive governance framework to maintain data integrity and promote operational independence from its shareholder. Relevant government authorities are regularly updated on governance control effectiveness.

As a Group we are focused on environmental standards as laid out in the environmental policy on page 8 and are committed to fairness, equality and the health and wellbeing of our employees as laid out on page 8.

As a board of directors, we have taken our decisions in the best interests of the company to promote its success for its members as a whole ensuring that we have looked at the consequences of our business in the long term with mind to the employees.

## **Directors' report** *(continued)*

### **Directors**

The directors who served during the year and subsequently were as follows:

P Visotschnig (Appointed 3 May 2022)  
LT Ford  
F Mery (Appointed 21 July 2022)  
J Cheetham (Appointed 24 January 2023)  
L Wang  
Y Wei  
AJ Upton (Resigned 26 September 2022)  
D Scott (Resigned 31 December 2022)

The Company has in place qualifying third party indemnity provisions for the benefit of its directors.

### **Existence of subsidiaries outside the UK**

The Company has subsidiary undertakings in France, India, Poland and China as listed in Note 11.

### **Political contributions**

The Company made no political donations during the year *(Year ended 31 December 2021: £Nil)*.

### **Disclosure of information to auditors**

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 auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Auditors**


Under section 487(2) of the Companies Act 2006, PKF Smith Cooper Audit Limited will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier

### **Strategic matters**

Information as required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included in the Strategic Report on Page 2.

- Principal activities and business review
- Results for the year
- Financial risk management objectives and policies
- Price risk, credit risk, liquidity risk and cash flow risk
- Employment disclosures
- Future developments

Approved by the Board of Directors and signed on behalf of the Board

  
**P Visotschnig**  
*Director*

Date: 22 December 2023

## **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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 company and the profit or loss of the company for that period. In preparing each of the Group and parent company 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 Group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the parent company and enable them to ensure that its 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 Group and the parent company to prevent and detect fraud and other irregularities.

## **Independent auditor's report to the members of Gardner Aerospace Holdings Limited**

### **Opinion**

We have audited the financial statements of Gardner Aerospace Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the Consolidated profit and loss account, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Company balance sheet, the Consolidated statement of changes in equity, the Company statement of changes in equity, the Consolidated cash flow statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group and of the parent company's affairs as at 31 December 2022, and of the group's loss 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 Auditor responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material uncertainty related to going concern**

We draw attention to note 1.2 in the financial statements, which indicates that the directors' assessment on going concern is based on continued support from the group's future ultimate shareholders. As stated in note 1.2, these circumstances indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

## **Independent auditor's report to the members of Gardner Aerospace Holdings Limited** *(continued)*

### **Other information**

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

We have nothing to report in this regard

### **Opinions 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 have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the group and the parent company and their 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 Statement of directors' responsibilities set out on page 12, 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 group and the parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

## **Independent auditor's report to the members of Gardner Aerospace Holdings Limited (continued)**

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Group 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:

Based on our understanding of the group and industry, we identified that the principal risk of fraud or noncompliance with laws and regulations related to:

- management bias in respect of accounting estimates and judgements made;
- management override of control;
- posting of unusual journals or transactions;
- compliance with health and safety legislation;
- compliance with bank/debt covenants.

We focused on those areas that could give rise to a material misstatement in the group financial statements.

Our procedures included, but were not limited to:

- Enquiry of management and those charged with governance around actual and potential litigation and claims, including instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of meetings of those charged with governance where available;
- Reviewing legal expenditure in the year to identify non-compliance with laws and regulations and fraud
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias. In particular, review of stock, supplier and debtor provisions and impairments of intangibles and investments.

It is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

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.

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.

**Independent auditor's report to the members of Gardner Aerospace Holdings Limited (continued)**

**Auditor's responsibilities for the audit of the financial statements (continued)**

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' report.

**Use of our report**

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

PKF Smith Cooper Audit Limited

James Delve (Senior Statutory Auditor)

for and on behalf of

**PKF Smith Cooper Audit Limited**

Statutory Auditors

Prospect House

1 Prospect Place

Pride Park

Derby

DE24 8HG

Date: 22 December 2023

**Consolidated profit and loss account**  
*for the year ended 31 December 2022*

	<i>Note</i>	<b>Year ended 31 December 2022 £000</b>	<b>Year ended 31 December 2021 £000</b>
<b>Turnover</b>	2	141,115	106,537
Cost of sales		(126,526)	(95,714)
<b>Gross profit</b>		<u>14,589</u>	<u>10,823</u>
Administrative expenses		(31,291)	(21,681)
Exceptional items	7	(2,837)	(29,401)
Other net operating (cost) / income	7	(236)	1,407
<b>Group operating loss</b>		<u>(19,775)</u>	<u>(38,852)</u>
Interest receivable and similar income	5	2	-
Interest payable and similar expenses	6	(5,543)	(5,651)
<b>Loss before taxation</b>	7	<u>(25,316)</u>	<u>(44,503)</u>
Taxation credit / (charge)	8	165	(2,333)
<b>Loss for the financial year</b>		<u>(25,151)</u>	<u>(46,836)</u>
<i>Loss attributable to:</i>			
Shareholders of the parent company		<u>(25,151)</u>	<u>(46,836)</u>
<b>Total loss</b>		<u>(25,151)</u>	<u>(46,836)</u>

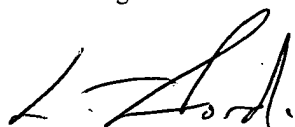
**Consolidated Statement of comprehensive income**  
*for the year ended 31 December 2022*

	<b>Year ended 31 December 2022 £000</b>	<b>Year ended 31 December 2021 £000</b>
Loss for the year	(25,151)	(46,836)
<b>Other comprehensive (expense) / income</b>		
Foreign exchange loss on translation of foreign operations	(456)	(4,312)
Net loss on cash flow hedge	(1,703)	(2,210)
Gain on actuarial assumptions on pension scheme	205	176
Net (loss) / gain on hedge of net investments in foreign operations	(1,100)	1,692
	<hr/>	<hr/>
<b>Other comprehensive expense for the year, net of income tax</b>	<b>(3,054)</b>	<b>(4,654)</b>
	<hr/>	<hr/>
<b>Total comprehensive expense for the year</b>	<b>(28,205)</b>	<b>(51,490)</b>
	<hr/> <hr/>	<hr/> <hr/>

**Consolidated balance sheet**  
at 31 December 2022

	<i>Note</i>	<b>31 December 2022</b>		31 December 2021	
		<b>£000</b>	<b>£000</b>	£000	£000
<b>Fixed assets</b>					
<i>Intangible assets</i>					
Goodwill	9	313		330	
Other intangibles	9	5,518		6,980	
			<u>5,831</u>		<u>7,310</u>
Tangible assets	10		51,697		51,249
			<u>57,528</u>		<u>58,559</u>
<b>Current assets</b>					
Stocks	12	37,408		25,353	
Debtors (including £6,382,000 (31 December 2021: £6,291,000) due after more than one year)	13	37,104		42,112	
Cash at bank and in hand	14	5,852		7,892	
			<u>80,364</u>		<u>75,357</u>
<b>Creditors: amounts falling due within one year</b>	15	<b>(100,824)</b>		<b>(60,565)</b>	
			<u>(20,460)</u>		<u>14,792</u>
<b>Net current (liabilities) / assets</b>					
			<u>37,068</u>		<u>73,351</u>
<b>Total assets less current liabilities</b>					
<b>Creditors: amounts falling due after more than one year</b>	16	<b>(76,240)</b>		<b>(85,575)</b>	
<b>Provisions for liabilities</b>					
Other provisions	21	(2,675)		(1,246)	
Pensions and similar obligations	22	(606)		(778)	
			<u>(3,281)</u>		<u>(2,024)</u>
<b>Net liabilities</b>			<u>(42,453)</u>		<u>(14,248)</u>
<b>Capital and reserves</b>					
Called up share capital	24		1		1
Share premium account			38,101		38,101
Merger reserve			8,645		8,645
Foreign currency hedge reserve			(3,166)		(1,463)
Profit and loss account			(86,034)		(59,532)
			<u>(42,453)</u>		<u>(14,248)</u>
<b>Shareholder's funds</b>			<u>(42,453)</u>		<u>(14,248)</u>

These financial statements were approved by the board of directors and authorised for issue on 22 December 2023 and were signed on its behalf by:



**LT Ford**  
*Director*

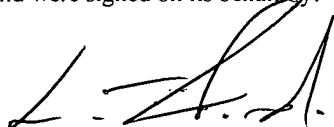
Company registered number: 07978111

**Company balance sheet**  
at 31 December 2022

	<i>Note</i>	<b>31 December 2022</b>		31 December 2021	
		<b>£000</b>	<b>£000</b>	£000	£000
<b>Fixed assets</b>					
Investments	11		7,274		7,274
<b>Current assets</b>					
Debtors (including £35,218,000 (31 December 2021: £35,218,000) due after more than one year)	13	68,495		66,218	
Creditors: amounts falling due within one year	15	(487)		(487)	
<b>Net current assets</b>			<u>68,008</u>		<u>65,731</u>
<b>Total assets less current liabilities</b>			<u>75,282</u>		<u>73,005</u>
Creditors: amounts falling due after more than one year	16		(35,218)		(35,218)
<b>Net assets</b>			<u>40,064</u>		<u>37,787</u>
<b>Capital and reserves</b>					
Called up share capital	24		1		1
Share premium account			38,101		38,101
Profit and loss account			1,962		(315)
<b>Shareholder's funds</b>			<u>40,064</u>		<u>37,787</u>

The Company's profit for the year and the other comprehensive income for the year was £2,277,000 (31 December 2021: £Nil) and £Nil (Year ended 31 December 2021: £Nil) respectively.

These financial statements were approved by the board of directors and authorised for issue on 22 December 2023 and were signed on its behalf by:



**LT Ford**  
Director

Company registered number: 07978111

## Consolidated statement of changes in equity

	Called up share capital £000	Share premium account £000	Merger reserve £000	Foreign currency hedge reserve £000	Profit and loss account £000	Total share holder's funds £000
Balance at 1 January 2021	1	38,101	8,645	747	(10,252)	37,242
<b>Total comprehensive income / (expense) for the year</b>						
Loss for the year	-	-	-	-	(46,836)	(46,836)
<i>Other comprehensive income / (expense)</i>						
Foreign exchange loss on translation of foreign operations	-	-	-	-	(4,312)	(4,312)
Net gain on hedge of net investments in foreign operations	-	-	-	-	1,692	1,692
Net loss on cash flow hedge	-	-	-	(2,210)	-	(2,210)
Gain on actuarial assumptions on pension scheme	-	-	-	-	176	176
<b>Balance at 31 December 2021</b>	<b>1</b>	<b>38,101</b>	<b>8,645</b>	<b>(1,463)</b>	<b>(59,532)</b>	<b>(14,248)</b>

	Called up share capital £000	Share premium account £000	Merger reserve £000	Foreign currency hedge reserve £000	Profit and loss account £000	Total Share holder's funds £000
Balance at 1 January 2022	1	38,101	8,645	(1,463)	(59,532)	(14,248)
<b>Total comprehensive income / (expense) for the year</b>						
Loss for the year	-	-	-	-	(25,151)	(25,151)
<i>Other comprehensive income / (expense)</i>						
Foreign exchange loss on translation of foreign operations	-	-	-	-	(456)	(456)
Net loss on hedge of net investments in foreign operations	-	-	-	-	(1,100)	(1,100)
Net loss on cash flow hedge	-	-	-	(1,703)	-	(1,703)
Gain on actuarial assumptions on pension scheme	-	-	-	-	205	205
<b>Balance at 31 December 2022</b>	<b>1</b>	<b>38,101</b>	<b>8,645</b>	<b>(3,166)</b>	<b>(86,034)</b>	<b>(42,453)</b>

## **Consolidated statement of changes in equity (continued)**

### **Share premium account**

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

### **Merger reserve**

The merger reserve was created from the capital reserves of Gardner Group Limited as part of the business combination with Gardner Aerospace Holdings Limited in 2012.

### **Foreign currency hedge reserve**

The foreign currency hedge reserve represents the cumulative portion of gains and losses on foreign exchange contracts which have been designated as hedges for hedge accounting purposes.

### **Profit and loss account**

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

## Company statement of changes in equity

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total share holder's funds £000
Balance at 1 January 2021	1	38,101	(315)	37,787
<b>Total comprehensive income for the year</b>				
Profit for the year	-	-	-	-
<b>Balance at 31 December 2021</b>	<b>1</b>	<b>38,101</b>	<b>(315)</b>	<b>37,787</b>
	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total share holder's funds £000
Balance at 1 January 2022	1	38,101	(315)	37,787
<b>Total comprehensive income for the year</b>				
Profit for the year	-	-	2,277	2,277
<b>Balance at 31 December 2022</b>	<b>1</b>	<b>38,101</b>	<b>1,962</b>	<b>40,064</b>

**Consolidated cash flow statement**  
*for year ended 31 December 2022*

	<i>Note</i>	<b>Year ended 31 December 2022 £000</b>	<b>Year ended 31 December 2021 £000</b>
<b>Cash flows from operating activities</b>			
Loss for the year		(25,151)	(46,836)
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment		8,806	38,000
Foreign exchange gains		(639)	(1,344)
Interest receivable and similar income		(2)	-
Interest payable and similar charges		5,543	5,651
Gain on sale of tangible and intangible fixed assets		(122)	(170)
Taxation charge		158	2,333
		<hr/>	<hr/>
		(11,407)	(2,366)
Decrease /(Increase) in trade and other debtors		3,769	(11,990)
(Increase) / Decrease in stocks		(12,055)	687
Increase / (Decrease) in trade and other creditors		5,498	(475)
Increase / (Decrease) in provisions and employee benefits		1,257	(2,680)
		<hr/>	<hr/>
		(1,531)	(14,458)
Tax refunded		1,152	461
		<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>		<b>(11,786)</b>	<b>(16,363)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of tangible fixed assets		148	235
Payments to acquire tangible fixed assets		(4,429)	(5,377)
Payments to acquire intangible fixed assets		(419)	(1,037)
		<hr/>	<hr/>
<b>Net cash outflow from investing activities</b>		<b>(4,700)</b>	<b>(6,179)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(5,541)	(5,651)
Proceeds of shareholder loan (gross of capitalised interest)		24,858	10,407
Proceeds of other borrowings (net of fees)		1,960	21,207
Repayment of borrowings		(5,275)	(2,262)
Payment of finance lease liabilities		(1,856)	(3,450)
		<hr/>	<hr/>
<b>Net cash inflow from financing activities</b>		<b>14,146</b>	<b>20,251</b>
Net decrease in cash and cash equivalents		(2,340)	(2,291)
Effects of exchange rate fluctuations on cash held		300	(376)
Cash and cash equivalents at the beginning of the year		7,892	10,559
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	<i>14</i>	<b>5,852</b>	<b>7,892</b>

## Notes

### 1 Accounting policies

Gardner Aerospace Holdings Limited (the “Company”) is a private company limited by shares and incorporated and domiciled in the UK.

The Group’s and Company’s principal activities and the nature of the Group’s operations are given in the Strategic Report.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 and the requirements of the Companies Act 2006, including the provisions of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000, except where otherwise stated.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the year has not been included;
- No separate parent company Cash Flow Statement with related notes is included;
- Certain disclosures required by FRS 102.26 Share-Based Payments; and
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 29.

#### 1.1. *Measurement convention*

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at their fair value.

#### 1.2. *Going concern*

##### **Background**

Since 2020, Gardner Aerospace has suffered badly from the impact of COVID-19. The pandemic induced decline in both global air travel and economic growth resulted in a sharp demand decline for aircraft with full recovery to pre-pandemic levels not expected until 2025/6.

Since 2022, the Group’s results, liquidity and funding availability has been further stressed by production disruptions and inflationary pressures particularly affecting energy, utilities, freight, and wage costs caused by the outbreak of the Russia / Ukraine War.

With liquidity severely negatively impacted in 2020 and 2021, the Group has obtained additional support from its shareholder, banks and government backed lending schemes in a total amount of £58.8 million. Additionally, the Group agreed revised amortisation profiles for its existing UK banking facilities.

Gardner Aerospace received further shareholder loans totalling £22.5 million in 2022 and £48.6 million in 2023 to support liquidity, working capital growth, capital expenditure requirements and debt repayments.

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### **1.2. Going concern** *(continued)*

#### **Current funding facilities**

The Group is funded by a mixture of shareholder loans, asset backed lending and term loans, including facilities from NatWest that mature in 2023 and particularly include two balloon payments for borrowings of £9.0 million in September 2023 and £17.8 million in December 2023.

Gardner Aerospace's facilities with NatWest are subject to financial covenants and a £5.0 million minimum cash availability. Following a breach of the Group's financial covenants in March 2022, the shareholder confirmed in May 2022 that they would remedy the minimum cash liquidity and provided additional funding of £10.0 million between May and July 2022. The shareholder provided a further £12.5 million of loans during the period September to December 2022, which continuously secured the £5.0 million minimum liquidity.

During 2023 £48.6 million of further shareholder loans have been received to maintain the required minimum liquidity and to repay debt under the banking facilities as it fell due.

With the support of its shareholder, Gardner secured a working capital loan provided by CITIC bank allowing it to repay the NatWest final senior debt facilities of £17.8 million prior to its due date on 17 December 2023.

In December 2023, credit approved facilities have been offered by HSBC Bank (UK) PLC for a £20 million revolving credit facility and HSBC Invoice Finance (UK) Limited for a £25 million receivables facility to replace £30 million of Asset Based Lending facilities provided by NatWest that matured on the 17 December 2023. To allow transition to HSBC, NatWest have agreed to extend these facilities initially to the 17 January 2024 with further reviews that could extend the facility to 30 April 2024. The HSBC facilities will be supported by guarantees from a member of the SDH group of companies, and Gardner has received a letter of intent from Sichuan Development Aviation Industry Investment Group Co Ltd that it intends to act as the guarantor.

#### **Shareholder Support**

LAT through its subsidiaries Ligeance Investments Limited ("LIL") and Gardner Aerospace Technology Co., Ltd ("GATL") have continued to be supportive of the Group providing Loans of £25 million in 2020, £8 million in 2021, £22.5 million in 2022 and a further £48.6 million in 2023.

These loans have primarily been provided to Gardner Group Limited and its subsidiaries ("GGL") as GGL provides security for the borrowings with the Group's primary lender, NatWest.

LAT confirmed in a letter to the Directors dated 19 December 2022 that they would continue to support the reasonable on-going cash needs of Gardner Aerospace and its subsidiaries until the completion of refinancing. LAT would secure the minimum liquidity position of £5.0 million until September 2023 or the refinancing date, whichever date came earlier.

On 23 May 2023 LAT confirmed that they would continue to support the liquidity of the Group through to 30 September 2024.

In addition, with funding from Sichuan Development Holdings ("SDH"), LAT have provided security for a £17.75 million working capital loan provided by CITIC bank to Gardner in December 2023.

LAT has principally serviced its funding commitments to the Group through loan facilities from SDH. SDH is a significant shareholder of LAT and since 2022 SDH has been working on a share placement that would see SDH subscribe for a 200 million shares in LAT, resulting in SDH taking a controlling interest in LAT. This transaction was approved by the Shenzhen Stock Exchange on 29 November 2023 and subsequently approved by the regulatory authorities on 11 December 2023. The transaction was also subject to governmental approvals particularly in the UK and France. The French government approval was given in March 2022, whilst the UK Government consent in October 2022 was subject to certain remedy actions, in particular the reinforcement of the existing security agreement with the MoD, and certain governance changes.

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### **1.2 Going concern** *(continued)*

Once the share placement is completed SDH will issue the necessary guarantees to support the new facilities provided by HSBC to Gardner.

On 9 October 2023 the LAT shareholder assembly confirmed an LAT board resolution to invest £80 million into Gardner's equity. This is part of an Offshore Direct Investment proposal that was approved by Chinese regulators in December 2023. These funds can be used to repay shareholder and external loans and rebuilds a positive net asset position for the Group.

LIL, the immediate holding company, have confirmed by Board resolution that the Company will support the reasonable on-going operational cash needs of Gardner Aerospace Holdings Limited for the forthcoming 12 months.

LIL and GATL have confirmed by Board resolutions their support to the Group for the forthcoming 12 months by confirming they will not seek the repayment of Loans to the Group during this period.

#### **De-risk assumptions**

In 2022 and into 2023 there remained uncertainty regarding SDH's timing and approval for their support of a refinancing process, consequently the Directors undertook a process, in consultation with shareholders, to secure alternative financing solutions.

Furthermore, preparatory documentation has been prepared to enable the partial or full divestment of the business if further support from LAT or alternative financing solutions was not forthcoming. This contingency plan has been communicated with all key stakeholders but is not expected to be required.

#### **Conclusions**

Having considered the basis of preparation of Gardner Aerospace Holdings Limited Financial Statements, the Directors are satisfied that it remains appropriate to prepare the Company Financial Statements on a going concern basis.

There remain uncertainties on the timing of the implementation of new Banking facilities provided by HSBC Bank (UK) PLC and HSBC Invoice Finance (UK) Limited which represent material uncertainties that may cast doubt on the Company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business.

These financial statements do not contain any adjustments that would arise if the financial statements were not drawn up on a going concern basis.

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### **1.3. Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2022. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The cost of a business combination is the fair value at the date of acquisition date, of the assets given, and liabilities incurred or assumed, plus directly attributable costs. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably and is adjusted for changes in contingent consideration after the acquisition date. Contingent consideration is discounted, if material.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

#### **1.4. Foreign currency**

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

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

#### **1.5. Classification of financial instruments issued by the group**

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

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

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

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### **1.6. Basic financial instruments**

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

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

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

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

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

#### **1.7. Other financial instruments**

##### *Derivative financial instruments*

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, other than where designated as a cash flow hedge.

##### *Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively, when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the profit or loss immediately.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.8. Tangible fixed assets

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

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.16 below.

The Group assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

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. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	5 to 50 years
Freehold improvements	5 to 50 years
Leasehold property	Straight line over the term of the lease
Plant, fixtures and equipment	5 to 20 years
Computer software	5 to 10 years
Motor vehicles	3 to 10 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits.

## **Notes** (continued)

### **1 Accounting policies** (continued)

#### **1.9. Intangible assets and goodwill**

##### *Goodwill*

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

##### *Research and development*

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on the development of certain major new projects or programmes, where the outcome of these programmes and recoverability of costs is assessed as being reasonably certain, where they are capable of production and where their duration is expected to be substantial, is capitalised.

##### *Other intangible assets*

Intangible assets arising on a business combination are recognised separately from goodwill if the intangible asset is both separable and arises from legal or contractual rights. The group has also elected to recognise non-contractual customer relationships separately from goodwill.

##### *Amortisation*

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Expenditure on the development of certain major new projects or programmes is amortised over its useful economic life. This is the shorter of the life of the relevant contract or ten years, with amortisation commencing in the year sales of the product are first made to the immediate customer of the Group. For certain programmes, amortisation is applied to reduce the assets to their residual values over a defined production schedule, based on the unit of production method.

The basis for choosing these useful lives is linked to the length of the contract.

Goodwill is amortised on a straight-line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be up to 10 years.

Contractual customer relationships are amortised over 10 years on the basis of normal contractual periods and expectation of renewal.

The Group reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with FRS 102.27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.10. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

At each reporting date, the Group assesses whether stocks are impaired or if an impairment loss recognised in prior years has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in the profit and loss.

Reversals of impairment losses are recognised in the profit and loss.

#### 1.11. 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.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### *Non-financial assets*

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### **1.12. Employee benefits**

##### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Group 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 years during which services are rendered by employees.

##### *Defined benefit plans*

The Group operates a scheme that is defined benefit in nature, whereby the employee receives a lump sum payment on reaching retirement age. The amount charged to the profit and loss account in respect of these pension costs is based on actuarial valuations.

#### **1.13. Provisions**

A provision is recognised in the balance sheet when the entity 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 recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

#### **1.14. Turnover**

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

##### *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 revenue 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.

#### **1.15. Government grants**

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in the creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

#### **1.16. Expenses**

##### *Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

## **Notes** (continued)

### **1 Accounting policies** (continued)

#### **1.16. Expenses** (continued)

##### *Finance lease*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the years in which they are incurred.

##### *Interest receivable and interest payable and other similar income and charges*

Interest payable and similar charges include interest payable and finance charges on finance leases recognised in profit or loss using the effective interest method.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

#### **1.17. 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 timing differences which arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

#### **1.18. Exceptional items**

The Group presents as exceptional items on the face of the Statement of Comprehensive Income those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to better understand the elements of financial performance in the year, so as to facilitate comparison with prior years.

**Notes (continued)**

**2 Turnover**

All continuing turnover originates from activity in the United Kingdom except for £43,207,000 (*Year ended 31 December 2021: £30,908,000*) turnover arising in France, Poland and India. All turnover is attributable to the principal activity of the Company.

An analysis of turnover by geographical destination is given below:

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
United Kingdom	85,815	56,885
Rest of Europe	52,899	45,079
Other	2,401	4,573
	<u>141,115</u>	<u>106,537</u>

**3 Staff numbers and costs**

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

	Number of employees	
	Year ended 31 December 2022	Year ended 31 December 2021
Production	1,152	1,255
Administration	493	189
	<u>1,645</u>	<u>1,444</u>

The aggregate payroll costs of these employees were as follows:

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Wages and salaries	40,753	32,336
Social security costs	6,320	3,993
Contributions to defined contribution plans (note 22)	1,191	1,102
	<u>48,264</u>	<u>37,431</u>

The Company does not have any employees.

**Notes** *(continued)*

**4 Directors' remuneration**

	<b>Year ended 31 December 2022 £000</b>	<b>Year ended 31 December 2021 £000</b>
Directors' remuneration	674	576
Company contributions to money purchase plans	23	22
	697	600

The aggregate of remuneration of the highest paid director was £296,000 (*Year ended 31 December 2021: £235,000*), and Company pension contributions of £10,000 (*Year ended 31 December 2021: £10,000*) were made to a money purchase scheme on his behalf. Compensation for loss of office paid to directors during the year totalled Nil (*Year ended 31 December 2021: £78,000*).

	<b>Number of directors</b>	
	<b>Year ended 31 December 2022</b>	<b>Year ended 31 December 2021</b>
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	4	4
	4	4

**5 Interest receivable and similar income**

	<b>Year ended 31 December 2022 £000</b>	<b>Year ended 31 December 2021 £000</b>
Interest receivable	2	-
	2	-
Total interest receivable and similar income	2	-

**6 Interest payable and similar expenses**

	<b>Year ended 31 December 2022 £000</b>	<b>Year ended 31 December 2021 £000</b>
Finance lease interest	682	593
Bank loans and invoice discounting facilities	4,762	3,037
Interest on shareholder loan	-	1,946
Other interest payable	99	75
	5,543	5,651
Total other interest payable and similar charges	5,543	5,651

During the year the Company's parent undertaking, Ligeance Investments Ltd, waived £2,277,000 of interest payable on loans due from the Company. In 2023 a further £3,991,000 of loan interest was waived.

## Notes (continued)

### 7 Loss before taxation

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
<i>The loss before taxation is stated after charging / (crediting):</i>		
Depreciation - owned assets (note 10)	4,790	5,074
- held under finance leases and hire purchase contracts (note 10)	1,782	1,791
Amortisation - goodwill (note 9)	17	945
- customer relationships (note 9)	-	2,525
- other intangible fixed assets (note 9)	2,217	1,711
Fair value of foreign exchange contracts (gains) / losses	(1,283)	441
Foreign exchange losses / (gains)	5,154	(548)
Stock impairment losses / (gains) recognised in cost of sales (note 12)	555	(148)
Exceptional income	(323)	(162)
Exceptional costs	3,160	29,563
Operating lease rentals (note 25)	2,817	3,121
Other operating cost/ (income) - Research and Development Expenditure Credit	305	(306)
Other operating income - Government Grants (Coronavirus)	-	(436)
Other operating income – Profit on sale of intangible and tangible fixed assets	(122)	(170)
Other operating income – Merchandise Export Scheme	(71)	(472)
Other operating cost/ (income) – Sundry expenses / (income)	124	(23)
	<hr/>	<hr/>
<i>Exceptional (credit) / expense:</i>		
Provision and cost of reorganisation (note 21)	1,785	2,072
Cost of Refinancing	1,365	-
Intangible assets impairment	-	25,954
Business interruption and recovery costs and inventory insurance losses arising from Tczew fire	-	1,523
Insurance proceeds	(323)	-
Release of surplus IT improvement provisions	-	(162)
Other sundry costs	10	14
	<hr/>	<hr/>
	<b>2,837</b>	<b>29,401</b>
	<hr/>	<hr/>

In the current year the Group has incurred £1.4 million of costs relating to refinancing and liquidity support and £1.8 million of non-recurring costs relating to site closures, asset impairment and redundancy programme as part of the groupwide reorganisation action taken as a result of COVID-19. In the prior year the impairment costs relate to a reassessment of future profitability of contracts arising on the acquisition of Northern Aerospace in 2018 and a reassessment of the carrying value of development costs based on the future profitability and remaining life of the contracts. In the prior year a fire also caused substantial damage to the treatments plant at the Tczew facility meaning business interruption and inventory losses were incurred. The cost to Gardner were treated as exceptional due to the nature of the fire being a one-off event. Gardner was able to mitigate any disruption to the customer by transferring manufacturing elsewhere within the Group. The insurance claim for the loss of business and assets are ongoing at the year-end as are claims associated with a fire at the Consett facility in 2018. In the year Gardner received £0.3 million as a payment on account towards the claims associated with the Consett facility.

#### *Auditor's remuneration:*

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Audit services – statutory audit of parent and consolidated accounts	24	32
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	72	240
Taxation compliance services	-	-
Taxation advisory service	-	-
All other non-audit services	-	-
	<hr/>	<hr/>

**Notes (continued)**

**8 Taxation**

*Total tax (credit) / charge recognised in the profit and loss account and other comprehensive income*

	Year ended 31 December 2022		Year ended 31 December 2021	
	£000	£000	£000	£000
<i>Current tax</i>				
Current tax on income for the year		(113)		-
Adjustments in respect of prior years		108		(777)
Foreign tax		-		130
		<hr/>		<hr/>
Total current tax		(5)		(647)
<i>Deferred tax (note 20)</i>				
Origination and reversal of timing differences	(8,633)		6,075	
Adjustments in respect of prior years	2,052		(2,410)	
Unused tax losses	6,086		2,840	
Change in tax rate	335		(3,525)	
		<hr/>		<hr/>
Total deferred tax		(160)		2,980
		<hr/>		<hr/>
Total tax (credit) / charge		(165)		2,333
		<hr/> <hr/>		<hr/> <hr/>

*Reconciliation of effective tax rate*

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Loss for the year	(25,151)	(46,836)
Total tax (credit) / charge	(165)	2,333
	<hr/>	<hr/>
Loss excluding taxation	(25,316)	(44,503)
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19.00% (Year ended 31 December 2021: 19.00%)	(4,810)	(8,456)
Deferred tax balance rate differences	335	(3,526)
Non-deductible expenses and income not taxable	258	7,517
Unused tax losses	6,086	2,840
Deferred tax not previously recognised	(4,093)	7,109
R&D expenditure credit	(101)	37
Adjustments for prior years	2,160	(3,188)
	<hr/>	<hr/>
Total tax (credit) / charge included in profit or loss	(165)	2,333
	<hr/> <hr/>	<hr/> <hr/>

During 2021 the UK Government announced an increase in the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 2021. Deferred tax has been calculated at blended rate of 19% - 25% which was the tax rate substantively enacted at 31 December 2022.

**Notes (continued)**

**9 Intangible assets and goodwill**

<i>Group</i>	<b>Goodwill £000</b>	<b>Development costs £000</b>	<b>Software and other costs £000</b>	<b>Customer relationships £000</b>	<b>Total £000</b>
<b>Cost</b>					
Balance at 1 January 2022	17,245	20,811	4,499	25,250	67,805
Additions	-	213	206	-	419
Disposals	-	-	-	-	-
Effect of movements in foreign exchange	-	815	52	-	867
<b>Balance at 31 December 2022</b>	<b>17,245</b>	<b>21,839</b>	<b>4,757</b>	<b>25,250</b>	<b>69,091</b>
<b>Amortisation and impairment</b>					
Balance at 1 January 2022	16,915	15,798	2,532	25,250	60,495
Amortisation for the year	17	1,571	646	-	2,234
Disposals	-	-	-	-	-
Effect of movements in foreign exchange	-	531	-	-	531
<b>Balance at 31 December 2022</b>	<b>16,932</b>	<b>17,900</b>	<b>3,178</b>	<b>25,250</b>	<b>63,260</b>
<b>Net book value</b>					
<b>At 31 December 2022</b>	<b>313</b>	<b>3,939</b>	<b>1,579</b>	<b>-</b>	<b>5,831</b>
At 31 December 2021	330	5,013	1,967	-	7,310

The net book value of development costs includes £3.9 million (31 December 2021: £5.0 million) of principally A350 XWB, Skeleton and Turning Bundle work package assets. Impairment reviews have been undertaken and no further impairment was required for 2022 (31 December 2021: £3.5 million). This review considered the remaining period of the contract, future production forecasts and increasing costs.

Costs are amortised in line with production rates over future periods. Amortisation charges are recognised in administrative expenses in the profit and loss account.

Software pledged as security for loans held by the Group are detailed in note 18.

## Notes (continued)

### 10 Tangible fixed assets

<i>Group</i>	Leasehold property £000	Freehold land and buildings £000	Plant and equipment £000	Total £000
<b>Cost</b>				
Balance at 1 January 2022	8,617	12,031	90,510	111,158
Additions	99	511	5,545	6,155
Disposals	(36)	(26)	(4,484)	(4,546)
Effect of movements in foreign exchange	100	209	1,539	1,848
<b>Balance at 31 December 2022</b>	<b>8,780</b>	<b>12,725</b>	<b>93,110</b>	<b>114,615</b>
<b>Depreciation and impairment</b>				
Balance at 1 January 2022	5,905	5,077	48,927	59,909
Depreciation charge for the year	596	407	5,569	6,572
Disposals	(10)	(26)	(4,484)	(4,520)
Effect of movements in foreign exchange	130	88	739	957
<b>Balance at 31 December 2022</b>	<b>6,621</b>	<b>5,546</b>	<b>50,751</b>	<b>62,918</b>
<b>Net book value</b>				
At 31 December 2022	2,159	7,179	42,359	51,697
At 31 December 2021	2,712	6,954	41,583	51,249

Included within plant and equipment are assets under construction of £5,115,000 (31 December 2021: £2,569,000).

The net book value of the leasehold property is split between £135,000 (Year ended 31 December 2021: £106,000) under short leasehold and £2,024,000 (Year ended 31 December 2021: £2,606,000) under long leasehold. Assets pledged as security for loans held by the Group are detailed in note 18.

#### *Leased plant and machinery*

At the year end the net carrying amount of plant and machinery leased under a finance lease was £18,552,000 (31 December 2021: £15,715,000), and the depreciation charged during the year in respect of these assets was £1,782,000 (Year ended 31 December 2021: £1,791,000). The leased equipment secures lease obligations (note 17).

### 11 Fixed asset investments

<i>Cost and net book value:</i>	<b>Company £000</b>
At 31 December 2021 and 31 December 2022	7,274

The investments comprise a £5,923,000 investment in Gardner Airia Holdings SAS and its subsidiaries and a £1,351,000 investment in Gardner Group Limited and its subsidiaries.

## Notes (continued)

### 11 Fixed asset investments (continued)

#### Principal Group investments

The Company has investments in the following subsidiary undertakings:

	Country of Incorporation/ registered office	Proportion held		Nature of business
		Direct	Indirect	
Gardner Group Limited	Note (a) below	100%		Holding company
Gardner Airia Holding SAS (“Airia”)	Note (f) below	100%		Holding company
Gardner Aerospace Chengdu Company Limited	Note (g) below	100%		Precision machining
Gardner Aerospace – Basildon Limited	Note (a) below		100%	Precision machining
Gardner Aerospace – Broughton Limited	Note (a) below		100%	Non-trading
Gardner Aerospace – Derby Limited	Note (a) below		100%	Precision machining
Gardner Aerospace – Hull Limited	Note (a) below		100%	Non-trading
Gardner BTC Limited	Note (a) below		100%	Precision tooling
Gardner Aerospace – Burnley Limited	Note (a) below		100%	Dormant
Gardner Aerospace – Consett Limited	Note (a) below		100%	Precision machining
FDM Digital Solutions Limited	Note (a) below		100%	Polymer additive layer manufacturing
Gardner Aerospace – Nuneaton Limited	Note (a) below		100%	Dormant
Gardner Aerospace – Wales Limited	Note (a) below		100%	Dormant
Gardner Aerospace – Tczew Spółka z.o.o.	Note (b) below		100%	Precision machining
Gardner Aerospace – Mielec Spółka z.o.o.	Note (c) below		100%	Precision machining
Gardner Aerospace – Nowa Deba z.o.o.	Note (d) below		100%	Precision machining
Gardner Aerospace Bengaluru Private Limited	Note (e) below		100%	Precision machining
Gardner Aerospace – Mazeres SAS	Note (f) below		100%	Precision machining and assembly

In June 2019 the shareholders of Gardner Aerospace – Belesta SAS approved the anticipated dissolution of Gardner Aerospace – Belesta SAS. The voluntary liquidation is completed.

During 2020 and in response to COVID-19 the Group undertook a restructuring programme which saw the shareholders of Gardner Group Limited approve the closure of Gardner Aerospace – Hull Limited which ceased trading in September 2020 and announce the closure of Gardner Aerospace – Broughton Limited which ceased trading in June 2021.

Note	Country of Incorporation	Registered Office
a	England and Wales	Unit 9 Victory Park, Victory Road, Derby, England, DE24 8ZF
b	Poland	UL. Skarszewska 21, Tczew 83-110, Poland
c	Poland	COP-U Str. 7, Mielec 39-300, Poland
d	Poland	UL. Witolda Thieme, nr 11, lok. 39-460 Nowa Deba, Poland
e	India	Plot no.25 (New Municipal No.5), 3 <sup>rd</sup> Main Road, Phase 1, Peenya Industrial Area, Bengaluru - 560058
f	France	Zone Industrielle, BP 19 Route de Belpech, 09270, Mazères, France
g	China	3299 West Airport Avenue, South West Airport Economic Development Zone, Shuangliu, Chengdu, Sichuan, China

All subsidiary undertakings have a year end of 31 December apart from Gardner Aerospace Bengaluru Private Limited where the yearend is 31 March. The subsidiaries incorporated in England and Wales, apart from Gardner Group Limited, have taken exemption under section 479A of the Companies Act 2006 (the “Act”) from the requirement in the Act for their individual accounts to be audited. The guarantee given by Gardner Group Limited under Section 479A of the Act is disclosed in Note 26. All subsidiaries are included in the consolidation.

**Notes (continued)**

**12 Stocks**

	Group	
	31 December 2022 £000	31 December 2021 £000
Raw materials and consumables	10,402	6,410
Work in progress	20,064	12,413
Finished goods	6,942	6,530
	37,408	25,353
	37,408	25,353

The write-down of stocks to net realisable value amounted to £557,000 (*Year ended 31 December 2021: £638,000*). The reversal of write-downs amounted to £2,000 (*Year ended 31 December 2021: £786,000*). The write-down and reversal are included in cost of sales.

Stocks pledged as security for loans held by the Group are detailed in note 18.

**13 Debtors**

	Group		Company	
	31 December 2022 £000	31 December 2021 £000	31 December 2022 £000	31 December 2021 £000
Trade debtors	25,460	27,621	-	-
Amounts owed by group undertakings	-	-	68,495	66,218
Deferred tax assets (note 20)	6,382	6,291	-	-
Corporation tax	-	1,010	-	-
Taxation and social security	1,042	-	-	-
Prepayments and accrued income	4,220	7,190	-	-
	37,104	42,112	68,495	66,218
	37,104	42,112	68,495	66,218
Due within one year	30,722	35,821	33,277	31,000
Due after more than one year	6,382	6,291	35,218	35,218
	37,104	42,112	68,495	66,218
	37,104	42,112	68,495	66,218

Trade debtors are stated after a provision for impairment of £4,423,000 (*Year ended 31 December 2021: £3,349,000*), impairment losses regarding trade debtors totalling £54,000 (*Year ended 31 December 2021: £100,000*) were recognised in the profit and loss. The amounts owned by group undertakings are unsecured and repayable on demand.

Debtors pledged as security for loans held by the Group are detailed in note 18.

**Notes** (continued)

**14 Cash and cash equivalents/bank overdrafts**

	<b>31 December</b>	<b>31 December</b>
	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	5,852	7,892
	<hr/>	<hr/>
Cash and cash equivalents per cash flow statements	<b>5,852</b>	<b>7,892</b>
	<hr/> <hr/>	<hr/> <hr/>

Cash pledged as security for loans held by the Group are detailed in note 18.

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

	<b>Group</b>		<b>Company</b>	
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2022</b>	<b>2021 Restated</b>	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bank loans (note 17)	33,507	7,052	-	-
Other loans (note 17)	805	716	-	-
Invoice discounting facility (note 17)	18,515	16,719	-	-
Prepaid facility costs (note 17)	(70)	(1,160)	-	-
Obligations under finance leases (note 17)	3,714	3,300	-	-
Trade creditors	20,622	16,786	-	-
Amounts owed to group undertakings	-	-	487	487
Taxation and social security	7,228	6,754	-	-
Other creditors	5,409	2,599	-	-
Accruals and deferred income	6,425	6,118	-	-
Derivative financial instruments (note 19)	4,669	1,681	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>100,824</b>	<b>60,565</b>	<b>487</b>	<b>487</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The amounts owed to group undertakings are unsecured, repayable on demand. See note 17 for information on interest and security on other relevant creditors

**Notes** (continued)

**16 Creditors:** amounts falling after more than one year

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2022 £000</b>	<b>31 December 2021 Restated £000</b>	<b>31 December 2022 £000</b>	<b>31 December 2021 £000</b>
Bank loans (note 17)	7,198	39,844	-	-
Other loans (note 17)	750	928	-	-
Shareholder loans (note 17)	60,537	35,679	35,218	35,218
Prepaid facility costs (note 17)	-	(870)	-	-
Obligations under finance leases (note 17)	6,555	6,936	-	-
Taxation and social security	10	1,926	-	-
Accruals and deferred income	1,190	1,132	-	-
	<u>76,240</u>	<u>85,575</u>	<u>35,218</u>	<u>35,218</u>
Due between one and five years	76,240	85,575	35,218	35,218
Due after more than five years	-	-	-	-
	<u>76,240</u>	<u>85,575</u>	<u>35,218</u>	<u>35,218</u>

2021 is restated for reclassification of bank loan and other loan for comparative purpose. See note 17 for information on interest and security on other relevant creditors

**Notes (continued)**

**17 Interest-bearing loans and borrowings**

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group	
	31 December	31 December
	2022	2021 Restated
	£000	£000
<b>Creditors falling due after more than one year</b>		
Secured bank loans	7,198	39,844
Other loans	750	928
Shareholder loans	60,537	35,679
Prepaid facility costs	-	(870)
Obligations under finance leases	6,555	6,936
	75,040	82,517
	75,040	82,517

	Group	
	31 December	31 December
	2022	2021 Restated
	£000	£000
<b>Creditors falling due in less than one year</b>		
Secured bank loans	33,507	7,052
Other loans	805	716
Invoice discounting facility	18,515	16,719
Prepaid facility costs	(70)	(1,160)
Obligations under finance leases	3,714	3,300
	56,471	26,627
	56,471	26,627

Other loan has been reclassified in 2021 for more accurate description which includes Development Loan and Plant Loan

*Loan terms and debt repayment schedule*

Group	Loan					31 December	31 December
Facility	Classification	Currency	Nominal interest rate	Year of Maturity	Repayment schedule	2022	2021
						£000	£000
Term Loan (CLBILS)	Bank Loan	Sterling	SONIA + 3.61%	2023	Quarterly	12,672	15,000
Term Loan	Bank Loan	Sterling	SONIA + 2.25% -3.75%	2023	Quarterly	10,139	11,321
Term Loan	Bank Loan	US Dollars	SOFR + 2.25% -3.75%	2023	Quarterly	1,388	1,365
Plant Loan	Bank Loan	Sterling	SONIA + 2.00%	2023	Monthly	2,257	3,257
Property Loan	Bank Loan	Sterling	SONIA + 2.00%	2023	Monthly	3,670	3,973
Software Loan	Other Loan	Sterling	SONIA + 5.00%	2023	Monthly	230	-
Manufacturing	Other Loan	Euro	2.45%	2024	6 Monthly	559	741
Development Loan							
Plant Loan	Other Loan	Euro	0.76%	2024	Monthly	766	903
Term Loan (COVID-19)	Bank Loan	Euro	0.5% + Warranty	2026	Monthly	3,696	4,054
Term Loan (COVID-19)	Bank Loan	Euro	0.3% + Warranty	2026	Monthly	5,568	6,060
Term Loan	Bank Loan	Zloty	2.2%	2022	Quarterly	187	745
Plant Loan	Bank Loan	Rupee	REPO + 3.6%	2025	Quarterly	1,128	1,121
Term Loan	Shareholder Loan	Sterling	7%	N/A	On Maturity	60,537	35,679
						102,797	84,219
						102,797	84,219

## Notes (continued)

### 17 Interest-bearing loans and borrowings (continued)

The Group's bank borrowing facilities arranged during 2020 to support the ongoing working capital position of the Group impacted by COVID-19 have been repaid in line with agreed capital repayment and interest amortisation terms. This includes £12.7 million of fully-drawn UK government backed CLBILS to be fully repaid in 2023 including two balloon payments of £3.7 million in September 2023 and £7.5 million in December 2023.

The multi-currency invoice discounting facility credit line arrangements in the UK remained at £30.0 million based on invoicing against approved customers and funding of inventory. The inventory facility has a sub limit of £8.0 million. The UK facilities are secured by fixed and floating charges over the property and assets of companies within Gardner Group Limited that are obligated as guarantors and carry a nominal interest rate of 1.75% above Sonia on the invoice discounting facility and 2% above Sonia on the inventory facility.

The invoice discounting facilities in France are multi-currency arrangements based on invoicing against approved customers. These facilities are secured on the trade debtors and carry a nominal interest rate of 1.1% above 3month Euribor.

The manufacturing development loan is repaid twice a year with a repayment of €8,602 per aircraft set delivered by Gardner Aerospace Mazerès SAS on the A350 XWB work package. At the end of the agreement in 2024 there is a bullet repayment of any outstanding amount.

Gardner Aerospace Mazerès SAS secured €12 million in French government backed Coronavirus support facilities during 2020. The French facilities are secured by way of a fixed and floating charge of the subsidiaries business assets. Additional loans of PLN 5 million in Gardner Tczew and INR 120 million in term loan and INR 30 million undrawn working capital loan in Gardner Bengaluru were agreed during 2020 and are secured by the business's assets.

Other asset-based loans are held at commercial interest rates and repayable within two years.

#### Shareholder loans

During 2022 the Directors welcomed the sustained support of the parent Company who provided Gardner with £22.5 million (31 December 2021: £8.0 million) of working capital funding to support the Company following the Coronavirus Pandemic. A further £48.6 million has been provided in 2023 to Gardner Group Limited and its subsidiaries. These loans have been provided by Ligeance Investments Limited and Gardner Aerospace Technology Co., Ltd.

In 2022, £2.3 million of interest for the year attributable to Shareholder loans received to 31 December 2022 was waived. In 2023 a further £4.0m of interest of interest was waived.

Following the year end the group agreed a \$34 million loan facility from Sichuan Developments Leading Capital Management Co., Ltd, a shareholder of LAT. This funding was used to repay part of the loan from Ligeance Investments Ltd.

#### Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Minimum lease payments 31 December 2022 £000	Minimum lease payments 31 December 2021 £000
Less than one year	3,714	3,300
Between one and five years	6,555	6,936
	<u>10,269</u>	<u>10,236</u>

Finance lease payments represent rentals payable by the Group for certain items of plant and machinery. Leases include purchase options at the end of the lease year, and no restrictions are placed on the use of the assets. The average lease term is 4 years (31 December 2021: 4 years). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

**Notes** *(continued)*

**17 Interest-bearing loans and borrowings** *(continued)*

The finance leases are secured by the related fixed assets. The nominal interest rate on the finance leases ranges from 2% to 7% above local bank base rates. During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of £1,726,000 (31 December 2021: £784,000).

*Analysis of changes in Net debt*

Group	31 December 2021	Cash flow	Non-Cash movements	31 December 2022
	£000	£000	£000	£000
<b>Net cash – cash at bank</b>	7,892	(2,340)	300	5,852
<b>Debt</b>				
Finance Leases	10,236	(130)	163	10,269
Debts falling due within one year	24,487	28,064	276	52,827
Debts falling due after more than one year	76,451	(8,481)	515	68,485
	111,174	19,453	954	131,581

**18 Secured assets**

	Group	
	31 December 2022	31 December 2021
	£000	£000
Software (note 9)	1,367	1,941
Tangible fixed assets (note 10)	49,698	46,478
Stock (note 12)	30,334	19,161
Trade debtors (note 13)	24,944	27,269
Prepayments and accrued income (note 13)	4,180	4,205
Cash (note 14)	5,666	7,684
	116,189	106,738

As discussed in note 17, the loans facilities are secured through a fixed and floating charge of the assets of subsidiary companies registered in the UK, through charges on assets held under finance leases and through trade debtors under invoice discounting arrangements in France.

**Notes** (continued)

**19 Derivative financial instruments**

	Group	
	31 December 2022 £000	31 December 2021 £000
<b>Amounts falling due within one year</b>		
Financial liabilities held for trading (including derivatives)	(4,669)	(1,681)

The group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 31 December 2022, the outstanding contracts mature within 19 months of the year end. The group is committed to buy GBP and pay a fixed USD amount.

The forward currency contracts are measured at fair value, which is based on their listed market price at the year end.

**20 Deferred tax assets and liabilities**

The movement in deferred tax asset is set out below:

	Group £000
At 1 January 2022	6,291
Credit to profit and loss account	160
Foreign exchange effects recognised in other comprehensive income	(69)
<b>At 31 December 2022</b>	<b>6,382</b>

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	31 December 2022 £000	31 December 2021 £000	31 December 2022 £000	31 December 2021 £000	31 December 2022 £000	31 December 2021 £000
Accelerated capital allowances	773	1,489	(548)	(15)	225	1,474
Unused tax losses	6,579	12,436	(428)	(3,829)	6,151	8,607
Other	6	8	-	(141)	6	(133)
Acquisition of intangible fixed assets	-	-	-	(3,657)	-	(3,657)
<b>Tax assets / (liabilities)</b>	<b>7,358</b>	<b>13,933</b>	<b>(976)</b>	<b>(7,642)</b>	<b>6,382</b>	<b>6,291</b>

In addition to the deferred tax asset above, the Group has additional unrecognised net corporation tax losses of £18,056,000 (31 December 2021: £19,484,000) and capital losses of £Nil (31 December 2021: £280,000).

**Company**

The Company has no material deferred tax assets or liabilities.

**Notes (continued)**

**21 Provisions**

<b>Group</b>	<b>Onerous Contracts £000</b>	<b>Restructu - ring £000</b>	<b>Property £000</b>	<b>Other £000</b>	<b>Total £000</b>
Balance at 1 January 2022	346	300	500	100	1,246
Provisions charged as exceptional during the year	-	794	-	991	1,785
Provisions charged as non-exceptional during the year	-	-	-	829	829
Provisions released during the year	-	-	(196)	-	(196)
Provisions used during the year	(346)	(339)	(304)	-	(989)
<b>Balance at 31 December 2022</b>	<b>-</b>	<b>755</b>	<b>-</b>	<b>1,920</b>	<b>2,675</b>

Restructuring provisions continue during 2022 primarily in relation to the restructure of the Group in response to COVID-19. The other provisions include potential commercial claims from customers and suppliers. The provisions are estimated to be used in 2023.

The Company has no provisions

**Notes** *(continued)*

**22 Employee benefits**

The Group has a number of defined contribution pension schemes. The total pension cost charge for the year for the schemes was £895,000 (*Year ended 31 December 2021: £815,000*) and the amount contributed by the Group was £895,000 (*Year ended 31 December 2021: £815,000*). At 31 December 2022 the Group had unpaid pension contributions in respect of defined contribution schemes totalling £203,000 (*Year ended 31 December 2021: £98,000*).

The Group participates in the state schemes in France and therefore makes appropriate basic and additional contractual contributions on behalf of its employees. Contributions have been processed through the payroll amounting to £296,000 (*Year ended 31 December 2021: £287,000*) and are defined contribution in nature.

In addition, the Group participates in a contractual arrangement in France, which is an industry sector norm for the area, whereby the employee is due a lump sum payment on reaching retirement age. The provision in respect of this scheme is as follows:

	<b>31 December</b>	31 December
	<b>2022</b>	2021
	<b>£000</b>	£000
Liabilities at beginning of the year	778	1,012
Currency translation differences	77	34
Current service costs	66	77
Settlements	(110)	(169)
Actuarial gain in statement of recognised gains and losses	(205)	(176)
	606	778
	606	778

**23 Financial instruments**

***Carrying amount of financial assets and liabilities***

The carrying amounts of the financial assets and liabilities include:

	<b>31 December</b>	31 December
	<b>2022</b>	2021
	<b>£000</b>	£000
<b>Financial assets:</b>		
Instruments measured at fair value through profit or loss	-	-
Measured at amortised cost	25,460	27,621
<b>Financial liabilities:</b>		
Instruments measured at fair value through profit or loss	4,669	1,681
Measured at amortised cost	165,158	135,778
	165,158	135,778

**Notes** *(continued)*

**24 Capital and reserves**

**Share capital**

*Issued, called-up and fully paid (number):*

<b>Share class</b>	<b>Ordinary shares</b>
Nominal value (each)	10p
<b>At 31 December 2021 and 31 December 2022</b>	<b>10,136</b>

*Issued, called-up and fully paid (£):*

<b>Share class</b>	<b>Ordinary shares</b>
Nominal value (each)	10p
<b>At 31 December 2021 and 31 December 2022</b>	<b>1,014</b>

On 13 December 2023 the Company authorised the issue of 800 million Ordinary Shares of 10p each. The shares will be allotted to the Company's parent Company, Ligeance Investments Limited.

**25 Operating leases**

Non-cancellable operating lease rentals are payable as follows:

	<b>31 December</b>	31 December
	<b>2022</b>	2021 Restated
	<b>£000</b>	£000
Less than one year	2,401	2,385
Between one and five years	7,287	8,164
More than five years	1,684	1,517
	<b>11,372</b>	<b>12,066</b>

During the year £2,817,000 was recognised as an expense in the profit and loss account in respect of operating leases (*Year ended 31 December 2021: £3,121,000*). 2021 operating lease payable is restated due to non recurring lease was included by mistake.

## Notes (continued)

### 26 Commitments

*Capital commitments:* Contractual commitments to purchase tangible fixed assets at 31 December 2022 were £6,011,000 (31 December 2021: £1,436,000). The Company had no capital commitments at the year end (31 December 2021: £Nil).

*Guarantees:* At 31 December 2022, National Westminster Bank had issued customs comprehensive guarantees for £261,750 (31 December 2021: £304,300) for various group undertakings registered in the United Kingdom.

In order for subsidiary companies highlighted in Note 11 to take the audit exemption in Section 479A of the Companies Act 2006, the Gardner Group Limited has guaranteed all outstanding liabilities of those subsidiary companies at 31 December 2022 until those liabilities are satisfied in full.

### 27 Related parties

#### Group

##### *Identity of related parties with which the Group has transacted*

The Company's controlling party and ultimate parent company is Ligeance Aerospace Technology Co. a company listed on the Shenzhen Stock Exchange.

##### *Transactions with key management personnel*

Key management personnel are the directors. Total compensation of key management personnel in the year amounted to £697,000 (Year ended 31 December 2021: £599,000).

	<b>Administrative expenses incurred from</b>	
	<b>Year ended 31 December 2022 £000</b>	<b>Year ended 31 December 2021 £000</b>
Key management personnel of the Company and its Group	697	599
	<u>697</u>	<u>599</u>
	<u><u>697</u></u>	<u><u>599</u></u>

At the year end there were no balances outstanding with related parties (31 December 2021: £Nil).

The Company has taken advantage of the exemption contained within FRS 102 and has not disclosed transaction or balances with entities which form part of the Gardner Aerospace Holdings Limited Group.

## Notes (continued)

### 28 Ultimate parent company and parent company of larger group

The Company's controlling party and ultimate parent company is Ligeance Aerospace Technology Co. Ltd ("LAT"), a company registered in the Peoples' Republic of China and listed on the Shenzhen Stock Exchange. The consolidated accounts of LAT are available from LAT's registered office, No.55 Century Avenue, Fengxi New City, Xixian New District, Xianyang City, Shaanxi Province, China.

Ligeance Investments Limited is the Company's immediate parent undertaking. The smallest and largest group in which the results of the company are consolidated is that headed by LAT, the consolidated accounts for which can be obtained at the address detailed above.

Since 2022 Sichuan Development Holdings ("SDH"), a significant shareholder of LAT, has been working on a transaction to convert its debt with LAT into equity which would result in SDH taking a controlling interest in LAT. The transaction is subject to governmental approvals particularly in the UK and France. The French government approval was given in March 2022, whilst the UK Government consent in October 2022 was subject to certain remedy actions, in particular the reinforcement of the existing security agreement with the MoD, and certain governance changes.

On 9 November 2023 LAT announced an application for SDH to subscribe for 200 million of shares in LAT, through a private placement. This transaction was approved by the Shenzhen Stock Exchange and the China Securities Regulatory Commission (CSRC) during December 2023 and once completed will see SDH hold approximately 34% of shares in LAT.

### 29 Accounting estimates and judgements

#### *Key sources of estimation uncertainty*

The preparation of the financial statements requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

**Deferred tax asset:** The utilisation of year-end tax losses and reversals of accelerated capital allowances are based on management forecasts. Refers to note 1.11.

**Debtor Provisions:** Management consider the recoverability of the debtor at the year-end by looking at the aging analysis and also the future order book. The provision estimation was based on this together with the debtor provision policy adopted by the group. This is based on a prudent approach. Refers to note 1.13

**Stock provision:** Management consider the recoverability of the stock at the yearend by looking at the ageing analysis and also the forward order book and based on this, provide in line with the stock provisioning policy adopted by the Group. This is based on a prudent approach. Refers to note 1.10.

**Other provisions:** Management consider the likelihood of any potential outflows and make relevant provisions on this basis at the year end. Refers to note 1.13

**Impairment review:** Management perform annual impairment reviews of investment and intangible assets by carrying out an assessment of an assets value in use and fair value based on scenario analysis and reasonable judgements. Any excess in an assets carrying value is then impaired to its recoverable amount. Refers to note 1.9

**Notes** *(continued)*

**30 Post balance sheet events**

On the 7 June 2023 the Company agreed a \$34 million loan facility with Sichuan Development Leading Capital Management Co., Ltd, a shareholder of LAT, and part of the SDH group of companies. These funds were used to partly repay loans from Ligeance Investments Limited.

On 9 October 2023 the LAT shareholder assembly confirmed an LAT board resolution to invest £80 million into Gardner's equity. This is part of an Offshore Direct Investment proposal that was approved by Chinese regulators in December 2023. These funds can be used to repay shareholder and external loans and rebuilds a positive net asset position for the Group.

A further £4.0m of interest on Loans from Ligeance Investments Limited has been waived during 2023.

During 2023 the Group has negotiated pricing and other contractual amendments where financial viability has been significantly impaired by the impact of the Covid-19 pandemic and inflationary pressures.

For further details on refinancing refer to the Strategic report going concern section and the Accounting policy section 1.2 going concern.