

**General Dynamics European
Finance Limited**
Annual report and financial statements
Registered number 8814957
31 December 2023

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Strategic report

The directors present their annual report and the audited financial statements for the year ended 31 December 2023.

Principal activities

The principal activity of General Dynamics European Finance Ltd ("GDEF" or the "company") is to act as a governance instrument on behalf of General Dynamics Corporation.

Section 172(1) Statement

The Directors have considered the reporting requirements as required by The Companies (Miscellaneous Reporting) Regulations 2018 which apply to companies meeting certain criteria for financial years starting on or after 1 January 2019 and considers the company is within scope of the criteria by virtue of it being the parent of a large trading group.

The regulations require that the Directors report on specific matters, however, the Directors note that GDEF principally operates as a holding company and provides cash pooling and other financial services to regulate the collective cash needs of the cash pool members all of which are connected companies. It does not trade in its own right and therefore does not hold trading contracts with third parties. Consequently, the Directors are of the view there are no relevant matters to be reported in connection with the engagement with customers and suppliers. GDEF does enter into transactions with third party banks to facilitate and support cash management needs of the group and works closely with banks to build collaborative relationships through regular meetings and maintaining strong communication channels.

Excluding directors, GDEF had 1 employee during the year. The employee is incorporated into the same programme of employee engagement and training that exists within General Dynamics United Kingdom Ltd ("GDUK"), a sister company of GDEF, with average employees of 931 in 2023. There is investment in training and development and a comprehensive employee communications programme. There is access to the GDUK internal employee engagement platform where news and ideas can be shared with colleagues. Participation and involvement in matters which affect the interests of employees is encouraged as well as obtaining feedback using organisation wide questionnaires. There are quarterly meetings with line management which includes discussions on objectives and personal and career development. The adoption of GDUK's implemented policies and processes also provide a means for employees to provide their views and feedback. Through these policies and processes, the Directors and Management have regard to the interests of its employee.

The Directors carry out their duties in a way they consider to be in good faith, would most likely promote the success of the company for the benefit of its members as a whole and with due regard to other stakeholder interests and in accordance with Corporate Governance.

Streamlined Energy Carbon Reporting (SECR) regulations

GDEF is exempt from the SECR regulations as it has consumed less than 40MWh of energy during the reporting period.

Principal Risk & Uncertainties

General Dynamics European Finance Limited's ("GDEF" or the "Company") principal purpose is to ensure appropriate governance in the EUR denominated General Dynamics Entities. To that aim, GDEF acts as a holding company, and provides cash pooling and other financial services and support to General Dynamics' group companies. GDEF may enter into inter-company agreements that affect the European cash pool and other treasury-related activities such as letters of credit for programs and borrowing, etc. These intra-group agreements and activities are cross-border in many circumstances and, as such, may involve risk and uncertainty in one or more areas. GDEF may also engage in borrowing on behalf of companies it supports, and these activities may have risk or uncertainty in one or more areas. Interest rate volatility on third party borrowings is not considered a risk as interest is passed to the company in need of the funding.

Future Developments & Strategies

GDEF is a governance company that supports member companies of General Dynamics Corporation. It is likely that it will continue to do so and may add other finance-related activities.

Strategic Report (continued)

Business review, results and dividends

Loss after taxation for the year ended 31 December 2023 is 24.5m Euro (2022: 487k Euro profit). This movement has largely arisen due to an impairment in 2023 of the investment in General Dynamics Mission Systems Italy. During 2023 there were large increases in interest income and interest expense. This was caused by increases in interest rates. There were also increases in foreign exchange gains and losses resulting from hedged and unhedged operations but the overall net impact is small given that GDEF is naturally hedged with funds received or borrowed in currencies other than Euro invested in the same currency and use of cash flow hedges to reduce foreign exchange exposure.

Debtors reduced by 327m primarily due to a reduction in the intercompany debtor with GDUK within the cash pool. Creditors decreased by 210m due to the repayment in the year of a 646m intercompany loan from General Dynamics Canadian Holdings (further assigned to General Dynamics Corporation)) partially offset by increases in loans from other cash pool members. The loan was required in order to meet a shortfall in the liquidity needs across Europe primarily due to delays in the collection of customer receipts and delays in contract awards.

In July 2023, GDEF acquired 1% of the share capital of General Dynamics Land Systems Polska, a company situated in Poland, for 11.80 Euro. The remaining 99% is held by General Dynamics Global Holdings Ltd.

Dividends

The directors do not recommend payment of a final dividend for the year (2022: nil).

Impairment

During the year a review for indicators of impairment took place which resulted in an impairment of 25.2m Euro in General Dynamics Mission Systems Italy (2022: Nil).

Business Risk

GDEF operates as a Cash Pool Leader with the principal aim of regulating the collective cash needs of the Cash Pool Members to maximise the aggregate surplus in cash and interest income and minimise the aggregate deficit in cash and interest expenditure within the cash pool. The Cash Pool Members are subsidiary entities of the General Dynamics Group as defined in the Multilateral European Cash Pool Agreement which binds the members and details the responsibilities and obligations of both the Cash Pool Leader and Cash Pool Members. As Cash Pool Leader, GDEF has a legal obligation to transfer funds between the Cash Pool Members based on periodic forecasting of the cash needs of the Cash Pool Members.

Business risks arise from:

Changes to cash forecasts

Detailed forecasts are prepared by Cash Pool Members on a monthly basis and used to support the preparation of the ongoing year cash forecasts which is updated before each year-end to include the following year. Uncertainty surrounding the timing of receipts which are often dependent on the achievement of milestone deliverables could impact the longer terms forecasts.

As with any business, changes to longer term forecasts may also arise as a result of external impacts to the Cash Pool Members caused by market, technological, economic, political or environmental factors. The regular communication of changes to forecasts ensures the appropriate management of cash is not compromised and the cash pooling arrangement helps to ensure optimisation of financial resources and any need for borrowed capital is reduced.

Return on cash pool activities

Cash swept from the Cash Pool Member to the Cash Pool Leader is deemed to be a loan from the Cash Pool Member. Where the transfer is from the Cash Pool Leader to the Cash Pool Member this is deemed to be a loan from the Cash Pool Leader. Interest rates on loans made between the Cash Pool Member and Cash Pool Leader are calculated at arm's length to cover the interest due and payable by the Cash Pool Leader to the Cash Pool Members. This leaves GDEF with an arm's length return arising from net finance income which also includes foreign exchange gains thus ensuring profitability from the principal cash pool activities.

Strategic Report *(continued)*

Business Risk *(continued)*

Exchange rate risk

The Cash Pool Members have accounts denominated in currencies applicable to them. These accounts are swept daily into master accounts held by GDEF in the same currency. The company has minimal exposure to foreign exchange risk on its activity as it is naturally hedged, since the funds received or lent in currencies other than Euros within the cash pool are invested in the same currency.

GDEF also enters into currency swaps to manage cash balances as part of the cash pool function to avoid Foreign Exchange exposure.

Liquidity

GDEF is a subsidiary of General Dynamics Worldwide Holdings Inc which acts as guarantor to both the Cash Pool Members and GDEF as Cash Pool Leader. Under the terms and conditions of the guarantee agreement, the guarantor absolutely and irrevocably guarantees the payment obligations of each Cash Pool Member and Cash Pool Leader arising from the cash pool thus minimising risk.

The corporate credit rating for General Dynamics Corporation (the 100% owned parent company of General Dynamics Worldwide Holdings Inc) is A2 reflecting its financial strength and ability to pay creditors.

Changes to the value of investments

GDEF holds a number of investments in General Dynamics Euro entities. To align GDEF with the currency of these entities, the functional currency is Euro in order to minimise exchange rate risk.

Potential risks arise in respect of reduction to the investment value of these investments. A review for indicators of impairment is undertaken annually. If an indicator of impairment is identified, an impairment review is undertaken and, should the valuation be below the recorded investment value, an impairment is recognised. Valuations consider the value of net assets at year end or, where net assets are insufficient, a review of performance based on discounted future cash flows. A combination of net assets and discounted future cash flows are used where the net assets were not fundamental in generating the cash flows themselves. Impairment risk is further considered through the use of sensitivity analysis to test the impact of changing estimates and judgements on the valuation and their expected future profitability. As a non cash book entry, impairments do not affect the operations of the Company other than to reduce distributable reserves. Furthermore, any recognition of impairments does not impact going concern since the assets are held as long term investments upon which the Company is not reliant on their income.

The largest investment is in GD European Land Systems Holdings GmbH which primarily derives its value from its 31% shareholding in Jet Aviation Holdings GmbH (JAH). JAH experienced a decline in revenue as a result of COVID-19 but saw signs of recovery in early 2022 following the lifting of most lock downs although these have continued for longer in China. JAH responded through closure of the Hong Kong facility and diversifying into new business activities. All costs relating to the closure and other cost cutting measures were fully recognised in 2022. JAH sought opportunities to diversify and secured more defense / fleet services work for the maintenance of military aircraft with defense spending being an area governments are focusing more heavily on. Although the Russia / Ukraine war caused further declines in revenue due to the reduction of flights this has also seen signs of recovery in 2023 with maintenance work increasing again. Work on completion projects is also relatively stable and has seen strong margins with good opportunities to secure further contracts ranging in length from 12 – 36 months and new contracts being signed. JAH is also cash positive with cash reserves in excess of working capital requirements. Sensitivity analysis was performed on the discounted cash flow valuation and, after modelling down side scenarios, the valuation continued to exceed book value.

The second largest investment is in General Dynamics Mission Systems Italy (GDMS-Italy). At 31 December 2023, GDEF was in negotiations to sell its investment with the sale completing in 2024. An impairment has been recognised in the 2023 financial statements to restate the investment to the sale price as this is considered an accurate reflection of the value of the investment at year end.


Strategic Report *(continued)*

Business Risk *(continued)*

Changes to the value of investments *(continued)*

After completing a review of the valuation of the investments and performing sensitivity analysis, no other impairments other than the impairment in General Dynamics Mission Systems Italy were identified (2022: nil)

By order of the board



A Chen
Director

Date **20 August 2024**

21 Holborn Viaduct
London
EC1A 2DY

Directors' report

Directors and directors' interests

The directors who held office during the period and to the date of the approval of the financial statements were as follows:

GS Gallopoulos
A Chen
N Moore

Directors' indemnities

The Company has maintained liability insurance for Directors and officers and its subsidiaries. Neither the insurance nor the indemnity provides cover where a Director acts fraudulently or dishonestly. The Company has made qualifying third-party indemnity provisions for the benefit of the Directors and remain in force at the date of this report.

Financial risk management

The Company is not obliged to provide funding to cash pool members in excess of amounts deposited unless there is excess bank borrowing capacity. The cash pool liabilities are guaranteed by General Dynamics Worldwide Holdings Inc with a further 850m Euro credit facility with 3rd party banks guaranteed by General Dynamics Corporation. The majority of transactions are with established 3rd party banks and related parties minimising exposure to credit risk with investments held in Euro denominated entities to minimise foreign currency risk. The Company is naturally hedged since the funds received or borrowed in currencies other than Euro are invested in the same currency. Cash flow hedges are also used to reduce foreign exchange exposure. The Company uses derivatives to hedge risk primarily arising from foreign exchange fluctuations. The Company does not use derivatives for trading.

Employee policy

The company fully adopts the employee policies of General Dynamics United Kingdom Ltd (GDUK), a sister company, which has average employees of 931 in 2023. This includes a comprehensive employee communications program, commitment to promoting diversity and creating a fully inclusive working environment where every employee can fulfil their potential while encouraging participation and involvement in matters which affect their interests as employees.

Supplier payment policy

The Company's policy is to agree payment terms with suppliers. Liabilities are settled in accordance with these agreed terms.

Political and charitable contributions

The Company made no political or charitable contributions during the year (2022: nil).

Provision of information to the auditor

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

Directors' report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



A Chen
Director

Date *20 August 2024*

21 Holborn Viaduct
London
EC1A 2DY

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT,
THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GENERAL DYNAMICS EUROPEAN FINANCE LIMITED

Opinion

We have audited the financial statements of General Dynamics European Finance Limited ("the Company") for the year ended 31 December 2023 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GENERAL DYNAMICS EUROPEAN FINANCE LIMITED (CONTINUED)

Identifying and responding to risks of material misstatement due to fraud (continued)

- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to turnover recognition because the turnover recognised is inconsequential and simple in nature.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of Company-wide fraud risk management controls.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

This company, as a holding company, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GENERAL DYNAMICS EUROPEAN FINANCE LIMITED (CONTINUED)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GENERAL DYNAMICS EUROPEAN FINANCE LIMITED (CONTINUED)

The purpose of our audit work and to whom we owe our responsibilities

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.



Alexander Chong (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE

22 August 2024

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2023

	<i>Notes</i>	2023	2022
		Euro 000	Euro 000
Turnover		97	96
Administration expenses		(911)	(890)
Impairment of investment	6	(25,152)	-
Operating Loss		(25,966)	(794)
Interest receivable and similar income	3	54,128	22,210
Interest payable and similar expenses	3	(52,491)	(20,836)
(Loss) / Profit before taxation	4	(24,329)	580
Tax expense	5	(193)	(93)
(Loss) / Profit for the year		(24,522)	487

All results arose from continuing operations.

The company incurred no other comprehensive income in the year.

The notes on pages 15 to 28 form part of these financial statements.

Balance sheet
 at 31 December 2023

	Note	2023	2022
		Euro 000	Euro 000
Fixed assets			
Investments	6	234,948	260,100
Current assets			
Debtors	8	792,186	1,119,102
Cash at bank		235,269	118,279
		<u>1,027,455</u>	<u>1,237,381</u>
Current liabilities			
Creditors: amounts falling due within one year	9	(1,226,266)	(1,436,822)
		<u>(1,226,266)</u>	<u>(1,436,822)</u>
Net current liabilities		(198,811)	(199,441)
Net assets		36,137	60,659
Capital and reserves			
Called up share capital	11	17	17
Profit and loss account		36,120	60,642
Equity shareholders' Funds		36,137	60,659

The notes on pages 15 to 28 form part of these financial statements.

These financial statements were approved by the board of directors on *20 August* 2024 and were signed on its behalf by:



A Chen
 Director

Statement of Changes in Equity

	Share capital account	Profit and loss account	Total
	Euro 000	Euro 000	Euro 000
At 1 January 2023	17	60,642	60,659
Loss for the year	-	(24,522)	(24,522)
At 31 December 2023	17	36,120	36,137

	Share capital account	Profit and loss account	Total
	Euro 000	Euro 000	Euro 000
At 1 January 2022	17	60,155	60,172
Profit for the year	-	487	487
At 31 December 2022	17	60,642	60,659

Notes to the financial statements *(forming part of the financial statements)*

1 Accounting policies

GDEF is incorporated, registered and domiciled in England and Wales. The address of the registered office is given on page 4. The nature of the Company's operations and principal activities are set out in the Strategic Report.

Basis of preparation

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

In preparing these financial statements, GDEF applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("UK-adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

As GDEF's ultimate parent undertaking, General Dynamics Corporation, includes the Company in its consolidated financial statements, the Company qualifies for the preparation of accounts using FRS101 with reduced disclosures. The consolidated financial statements of General Dynamics Corporation are prepared in accordance with US GAAP and are available to the public and may be obtained from 11011 Sunset Hills Road, Reston, VA 20190.

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

- Cash Flow Statement and related notes;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel, and
- Disclosures in respect of transactions with wholly owned subsidiaries of General Dynamics Corporation.

As the consolidated financial statements of General Dynamics Corporation include the equivalent disclosures, GDEF has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

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

Notes (continued)

1 Accounting policies (continued)

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The financial statements are prepared on the historic cost basis except for derivatives which are stated at fair value. The financial statements are presented in round thousands.

GDEF has entered into a cash pooling arrangement (CPA) with certain General Dynamics cash pool member affiliates in Europe (CPMs) in order to facilitate the cash management services provided by GDEF to these Entities. Embedded in the CPA is a parental guarantee issued by General Dynamics Worldwide Holdings Inc. to GDEF under which General Dynamics Worldwide Holdings Inc. is liable and unconditionally, absolutely and irrevocably guarantees the payment of all obligations arising under the cash pool arrangements. In addition, General Dynamics Corporation has issued several parent guarantees whereby it unconditionally, absolutely and irrevocably guarantees the payment of all obligations of GDEF to different banks arising under the credit facility agreements up to a maximum amount of EUR 850 million (EUR 300 million credit facility with Lloyds Bank PLC, EUR 200M with JP Morgan Chase Bank NA, EUR 200M with Wells Fargo and EUR 150M with BBVA). These guarantees provide for lower credit and interest risks for GDEF while foreign exchange risk is mitigated by hedging.

GDEF is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Functional currency

GDEF holds investments in General Dynamics Euro entities in order to align these entities with their functional currency for cash pooling and investment purposes. As such, the functional currency of GDEF is Euros.

Going Concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have considered cash flow forecasts for a period exceeding 12 months from the date of signing of the accounts which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period. In making this assessment the Directors have considered that the Company's activities are principally as a holding company for various European entities in the global group headed by General Dynamics Corporation and to provide cash pooling to those same entities. The Company therefore holds long-term investment balances which have been funded through a combination of equity and bank borrowings as well as cash pooling receivables and payables. The cash pooling agreement allows for any of the cash pool members to request additional funds from the cash pool in excess of amounts deposited but the Company is not obliged to provide such funding unless it has excess bank borrowing capacity available to satisfy such a request. As a result, the Company is able to control the extent of its cash pooling exposure. The company has low levels of operating expenses which are required to be settled in cash (i.e. excluding those which are non-cash such as unrealised foreign currency retranslation) and these are not significantly influenced by external factors meaning that they can be forecast reliably. The company's borrowings are in the form of cash pool liabilities, i.e. amounts owing to cash pool members, third party bank borrowings and intercompany loans / funding from General Dynamics Corporation and General Dynamics Global Holdings Limited ("GDGH"), the Company's immediate parent undertaking. The Company also has funding in the form of cash and ended the year with cash in excess of 235m Euro.

The Company's banking facilities total EUR 850m and, while these are repayable within one year, the entire facility is guaranteed by General Dynamics Corporation ("GDC") in the event the Company is unable to repay any amounts owing. In relation to the cash pooling liabilities these are wholly and irrevocably guaranteed by the Company's intermediate holding company General Dynamics Worldwide Holdings Inc. Additionally, the Company is able to use its guaranteed banking facilities described above to settle outstanding cash pool liabilities. Having made enquiries of the directors of GDC and assessed the financial position of GDC the directors are satisfied GDC has the ability to honour its guarantees if they are called upon in order to support the Company.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes (continued)

1 Accounting policies (continued)

Taxation

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 adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

Tax on the profit or loss for the year comprises current tax and is recognised in the income statement.

Foreign Currencies

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities 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 and Other Comprehensive Income.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Where there is a surplus of cash, GDEF may enter into short term investments in line with the General Dynamics Corporation Global Investment Guidelines policy. As at 31 December 2024, GDEF had 50m Euro invested as a 4 day term deposit which is included in cash due to the short term nature of the investment.

Fixed asset investments

Investments in subsidiaries are carried at cost less provision for impairment (if any). Investments are reviewed annually for indicators of impairment and losses recognised when the book value is greater than the recoverable amount (higher of fair value less costs of disposal and value in use). Value in use is calculated by discounting future cash flows expected from the continued use of the asset.

Impairment of non financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable value of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units (CGU's). Impairment charges are included in the profit and loss except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised (other than goodwill) is reversed in a subsequent period if the reasons for the impairment loss have ceased to apply.

Classification of financial instruments issued by the Company

Following the adoption of IFRS9, financial instruments issued by GDEF are treated as equity only to the extent that they meet the following two conditions:

Notes (continued)

1 Accounting policies (continued)

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

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors and creditors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in debt and equity securities

Ordinary shares are stated at cost less impairment. Financial instruments held for trading, or designated upon initial recognition or at the IFRS9 transition date if later are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Other investments in debt and equity securities held by GDEF are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in the fair value reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the Statement of Income. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the Statement of Income.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the Profit and Loss Account.

Cash flow hedges

Cash flow hedges are entered into which do not meet the criteria of a qualifying hedge for the purposes of recognition of the gain or loss in a hedge reserve. The gain or loss is therefore immediately recognised in the Profit and Loss Account.

Remuneration of directors

The directors are all employees of other group companies and their staff costs are incurred by those other group companies and not recharged to the Company. The portion of their remuneration which relates to their roles as directors of this company is inconsequential to their overall remuneration and is estimated to be 1,000 Euros.

Notes (continued)

2 Staff numbers

The average number of persons employed by GDEF during the year, analysed by category, was as follows:

	2023 Number of employees	2022 Number of employees
Administration	1	1
	<u>1</u>	<u>1</u>
	<u><u>1</u></u>	<u><u>1</u></u>

The aggregate payroll costs of these persons were as follows:

	2023 Euro 000	2022 Euro 000
Wages and salaries	84	82
Social security costs	6	6
	<u>90</u>	<u>88</u>
	<u><u>90</u></u>	<u><u>88</u></u>

3 Finance income and expense

	2023 Euro 000	2023 Euro 000	2022 Euro 000	2022 Euro 000
Interest receivable and similar income				
Intercompany interest income	47,994		20,585	
Interest income – other	6,051		1,578	
Gains on foreign exchange	83		36	
Change in fair value of derivative			11	
	<u>54,128</u>	54,128	<u>22,210</u>	22,210
Interest payable and similar charges				
Intercompany interest expense	(52,237)		(20,757)	
On bank loans	(254)		(79)	
	<u>(52,491)</u>	(52,491)	<u>(20,836)</u>	(20,836)
		<u><u>1,637</u></u>		<u><u>1,374</u></u>
Net finance income		<u><u>1,637</u></u>		<u><u>1,374</u></u>

Notes (continued)

4 Profit / (Loss) on ordinary activities before taxation

The Profit / (Loss) on ordinary activities before taxation is stated after charging:

	2023 Euro 000	2022 Euro 000
Auditor's remuneration		
Audit of these financial statements	34	27
Taxation compliance	9	8

5 Taxation

Analysis of credit in year

	2023 Euro 000	2022 Euro 000
<i>UK corporation tax</i>		
Current tax for the year	193	110
Prior year adjustment	-	(17)
	193	93

	2023 Euro 000	2022 Euro 000
Reconciliation of effective tax rate		
(Loss) / Profit for the year	(24,522)	487
Total tax expense	193	93
	(24,329)	580
Tax using the UK corporate tax rate of 23.5% (2022: 19%)	(5,718)	110
Non-deductible expenses	5,911	-
Prior year adjustment	-	(17)
	193	93

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. With an effective date of 1 April 2023, a blended rate of 23.5% has been applied for the year ended 31 December 2023.

6 Investments

Investments	Country of Incorporation	Proportion held	Class of share	Cost Euro 000
GD European Land Systems Holdings GmbH, Teinfaltstrasse 8, 1010 Vienn, Austria	Austria	100	Ordinary	183,289
General Dynamics Mission Systems Italy SRL, Viale Egeo, 100-106, 00144 Roma, Italy	Italy	100	Ordinary	36,624
Jet Aviation Netherlands BV, Thermiekstraat 14, Building 006, GA Terminal, 1117 BC Schiphol, Netherlands	Netherlands	100	Ordinary	4,010
General Dynamics European Land Systems Deutschland GmbH, Edisonstrasse 61, Berlin, Germany	Germany	100	Ordinary	11,025
				234,948

Notes (continued)

6 Investments (continued)

	2023 Euro 000
As at 1 January 2023	260,100
Impairment in General Dynamics Mission Systems Italy	(25,152)
As at 31 December 2023	<u>234,948</u>
	2022 Euro 000
As at 1 January 2022	260,100
As at 31 December 2022	<u>260,100</u>

7 Related party undertakings

The voting rights of the shares are the same as the percentage held unless indicated otherwise.

Company name and address	Accounting period	Country of Incorporation	GDEF Ownership %	Class of share
GD ELS Holding GmbH, Bleibtreustrasse 2 A-1110 Wien, Austria	31/12/2023	Austria	100	Ordinary/Common
GD ELS Austria GmbH, Teinfaltrasse 8 1010 Vienna, Austria	31/12/2023	Austria	100	Ordinary/Common
GD ELS Steyr GmbH, Bleibtreustrasse 2 A-1110 Wien, Austria	31/12/2023	Austria	100	Ordinary/Common
Jet Aviation Vienna GmbH, Hangar 7, 1300 Wien- Flughafen, Austria	31/12/2023	Austria	12	Ordinary/Common
Jet Aviation (Bermuda) Ltd, Suite-306, The Commerce Building, One Chancery Lane, Hamilton 12, Bermuda	31/12/2023	Bermuda	31	Ordinary/Common
Beijing BAC Co. Ltd., Nan Fa Xin Zhang Xin Hua Ji Di #01-1, Beijing, CH	31/12/2023	China	13	Ordinary/Common
Jet Aviation (Hong Kong) Ltd, Room 1112-3, AFFC, 2 Chun Wan Road, Chek Lap Kok, Hong Kong	31/12/2023	China (Hong Kong)	31	Ordinary/Common
Jet Aviation Business Jets (Hong Kong) Ltd., 801, Citygate Outlets, 20 Tat Tung Rd, Lantau Island, Hong Kong	31/12/2023	China (Hong Kong)	31	Ordinary/Common
ELCS-CZ s.r.o. Praha I, Klimentská 1216/46, PSC 110 02, Prague Czech Republic	31/12/2023	Czech Republic	1	Ordinary/Common
GD ELS Czech s.r.o. Náchodská 469/137, Horní Počernice, 193 00 Praha 9, Czech Republic	31/12/2023	Czech Republic	1	Ordinary/Common
Jet Aviation France SAS, 23 Rue Du Roule, 75001 Paris, France	31/12/2023	France	31	Ordinary/Common
Jet Aviation Business Jets Deutschland GmbH, Hangar 3, Cologne- Bonn Airport, Cologne 51147 Germany	31/12/2023	Germany	15	Ordinary/Common
Jet Aviation Services GmbH, Flughafenstraße 60, 40474 Düsseldorf, Germany	31/12/2023	Germany	31	Ordinary/Common
FBD Fahrzeug und Bremsendienst GmbH, Pasenow 43, D-17348 Woldegk, Germany	31/12/2023	Germany	100	Ordinary/Common
GD ELS-Deutschland GmbH, Pariser Platz 4a, 1. OG 10117 Berlin, Germany	31/12/2023	Germany	100	Ordinary/Common
GD ELS-FWW GmbH, Oertzenhof, 2 D-17348 Woldegk, Germany	31/12/2023	Germany	100	Ordinary/Common

Notes (continued)

7 Related party undertakings (continued)

Company name and address	Accounting period	Country of Incorporation	GDEF Ownership %	Class of share
General Dynamics Mission Systems Italy SRL, Viale Egeo, 100-106, 00144 Roma, Italy	31/12/2023	Italy	100	Ordinary/Common
Jet Aviation Lebanon S.a.l, Assaf Center, Adnan El Hakim Street, JNAH, Beirut, LEBANON	31/12/2023	Lebanon	16	Ordinary/Common
Jet Aviation ME S.a.l, Ras Beirut, Adnan Hakim Street-Asa, Beirut, Lebanon	31/12/2023	Lebanon	16	Ordinary/Common
Jet Aviation (Malaysia) SDN, Level 22, Quill 7, No 0 Jalan Sentr Sentral 5, Kuala Lumpur, 50470 Malaysia	31/12/2023	Malaysia	31	Ordinary/Common
Jet Aviation Flight Services (Malta) Limited, Vision Exchange Building, Level 2, Territorials Street, Mriehel BKR 3000, Malta	31/12/2023	Malta	15	Ordinary/Common
Jet Aviation Netherlands BV, Amsterdam Airport, Evert van de Beekstraat 202, 1118 CP Schiphol, Netherlands	31/12/2023	Netherlands	100	Ordinary/Common
Jet Aviation Saudi Arabia Co. Ltd Private Aviation Terminal, King Abdulaziz International Airport, Jeddah 21499	31/12/2023	Saudi Arabia	4	Ordinary/Common
Jet Aviation (Asia Pacific) Private Ltd., Seletar Airport, 1075 West Camp Road, Singapore 797800	31/12/2023	Singapore	31	Ordinary/Common
SATS Seletar Aviation Services Limited, Seletar Airport 21 Seletar Aerospace Road 1, Singapore 797405	31/12/2023	Singapore	7	Ordinary/Common
Jet Aviation Malaga SA, Aeropuerto de Malaga, Malaga, Spain	31/12/2023	Spain	31	Ordinary/Common
Jet Aviation AG Basel, Aeschengraben 6, 4051 Basel, Switzerland	31/12/2023	Switzerland	31	Ordinary/Common
Jet Aviation Business Jets AG, Aeschengraben 6, 4051 Basel, Switzerland	31/12/2023	Switzerland	31	Ordinary/Common
Jet Aviation Holding GmbH, Aeschengraben 6, 4051 Basel, Switzerland	31/12/2023	Switzerland	31	Ordinary/Common
Jet Aviation Management AGObstgartenstrasse 27, CH-8302 Kloten, Switzerland	31/12/2023	Switzerland	31	Ordinary/Common
General Dynamics Land Systems Polska, LLC	31/12/2023	Poland	1	Ordinary/Common
Jet Aviation Business Jets FZ Co, Dubai Airport Free Zone, Suite No. 3E-109, Dubai, UAE	31/12/2023	UAE – Dubai	31	Ordinary/Common
Jet Aviation Dubai LLC, Behind Dubai Airport Free Zone Authority, Al Quds Street, Dubai, UAE	31/12/2023	UAE – Dubai	15	Ordinary/Common
Steyr Spezial-fahrzeug AG de Venez., C.A., Avendia Pichincha, Sector San Romain, Caracas, 1060 VE	31/12/2023	Venezuela	100	Ordinary/Common
Steyr-Daimler-Puch SSF de Venez., C.A., Pichincha Avenue, La Noria Tower, Floor 4, Office 4 A. 1060, Miranda Caracas	31/12/2023	Venezuela	100	Ordinary/Common

Related party undertakings include both direct (as shown within investments) and indirect subsidiary companies owned by GDEF.

During the year, a loan from General Dynamics Canadian Holdings Inc of 646m Euro to GDEF was assigned to General Dynamics Global Holdings Ltd and further assigned up the ownership chain to General Dynamics Corporation and fully settled in the year. Interest paid to General Dynamics Canadian Holdings Inc and General Dynamics Corporation was 3.4m Euro and 13.3m Euro respectively. Transactions with non 100% owned subsidiaries were associated with cash pooling activities. Total interest received / receivable from cash pool members was 48m Euro (2022: 20.6m Euro) and interest paid / payable to cash pool members was 35.4m Euro (2022: 20.8m Euro). GDEF also paid interest of 189k Euro to Jet Aviation Australia Pty in connection with a loan detailed in note 9.

Other related party transactions in the year are an allocation of office costs by General Dynamics United Kingdom Ltd of 9k Euro and provision of labour from GDEF to General Dynamics United Kingdom Ltd (GDUK), General Dynamics Global Holdings Ltd (GDGH) and General Dynamics Swiss Financial Management Ltd (GDSFM) of 81k Euro, 5k Euro and 9k Euro respectively and provision of staff services by GDGH and GDUK of 32k Euro and 1.3k Euro respectively. GDEF also charged FX losses to GDSFM of 58k Euro to allocate the cost between both entities that perform services as cash pool leaders together with a share of treasury financial services of 0.4k Euro.

Notes (continued)

8 Debtors: amounts falling due within one year

	2023	2022
	Euro	Euro
	000	000
Intercompany cash pool	785,653	1,105,544
Amounts due from group undertakings – receivables	945	2,159
Other Debtors (note 10)	5,517	11,225
Taxation	71	174
	<u>792,186</u>	<u>1,119,102</u>

Intercompany cash pool debtors represent the balance held by GDEF as a result of a sweeping of the Principal Accounts of the cash pool members as part of the management of collective cash needs of the Parties. As such, these balances are deemed repayable on demand. Interest is calculated on base rates obtained from EURIBOR for EUR and compounded rates from SONIA and SARON for GBP and CHF respectively + 80bps. This is in line with the base rates GDEF receives from the market.

Intercompany cash pool debtors comprise the following:

	2023	2022
	Euro	Euro
	000	000
General Dynamics European Land Systems S.L.	1,281	103
GD European Land Systems Holdings GmbH	1,762	138
General Dynamics United Kingdom Ltd	569,320	980,870
General Dynamics European Land Systems – Austria GmbH	1,523	1,797
GD European Land Systems Bridge Systems	79,791	71,516
General Dynamics Global Holdings Ltd	2,691	431
General Dynamics European Land Systems - Deutschland GmbH	32,457	31,949
General Dynamics European Land Systems - Steyr	-	5
General Dynamics Swiss Financial Management Ltd	96,828	18,735
	<u>785,653</u>	<u>1,105,544</u>

An expected credit loss provision on the debtor has not been recognised as it is considered that the carrying value approximates fair value because of the short period to maturity and therefore any difference would be immaterial.

Amounts due from group undertakings comprises the following:

	2023	2022
	Euro	Euro
	000	000
General Dynamics United Kingdom Ltd	82	-
General Dynamics Global Holdings Ltd	5	-
General Dynamics Swiss Financial Management Ltd	858	2,159
	<u>945</u>	<u>2,159</u>

Notes (continued)

8 Debtors (continued)

Amounts due from group undertakings include 0.4m Euro (2022: 0.5m Euro) in allocations to General Dynamics Swiss Financial Management Ltd to ensure an arm's length return on cash pooling activities.

9 Creditors: amounts falling due within one year

	2023	2022
	Euro	Euro
	000	000
Intercompany cash pool	1,218,152	784,987
Amounts due to group undertakings	320	1,953
Accruals & other creditors	4,147	438
Loan from related party	3,647	649,444
	<u>1,226,266</u>	<u>1,436,822</u>

The intercompany cash pool creditors represent the balances held by GDEF as a result of a sweeping of the Principal Accounts of the cash pool members as part of the management of collective cash needs of the Parties. As such, these balances are deemed repayable on demand. Interest is calculated on base rates obtained from EURIBOR for EUR and compounded rates from SONIA and SARON for GBP and CHF respectively.

Intercompany cash pool creditors comprise the following:

	2023	2022
	Euro	Euro
	000	000
GD Santa Barbara Sistemas S.A.	467,777	253,489
General Dynamics United Kingdom Ltd	39,960	3,185
General Dynamics Global Holdings Ltd	281,727	202,581
General Dynamics European Land Systems – Steyr	96,843	65,439
General Dynamics Mission Systems Italy	5,785	14,615
General Dynamics European Land Systems S.L.	1,227	1,868
General Dynamics Mission Systems International Ltd	3,039	3,122
General Dynamics Ltd	57,382	54,684
General Dynamics Swiss Financial Management Ltd	258,220	182,782
General Dynamics European Land Systems – Bridge	-	89
GD European Land Systems – FWW GmbH	6,192	3,133
	<u>1,218,152</u>	<u>784,987</u>

Where cash pool members have both an intercompany debtor and creditor balance in the cash pool, there is no automatic right of set off and therefore these balances are disclosed separately in the financial statements.

Notes (continued)

9 Creditors (continued)

Amounts due to group undertakings comprises the following:

	2023	2022
	Euro	Euro
	000	000
General Dynamics United Kingdom Ltd	38	22
GD Santa Barbara Sistemas S.A.	245	1,126
General Dynamics Global Holdings Ltd	37	-
General Dynamics Swiss Financial Management Ltd	-	805
	320	1,953
	320	1,953

The related party loan is a loan from Jet Aviation Australia Pty (formerly named Hawker Pacific Pty Ltd (HPPL)) of 3.6m Euro (2022: 3.8m Euro). Interest is calculated at 5.35% based on the bi-annual compounding short term applicable federal rate. In 2022, there was an additional intercompany loan from General Dynamics Canadian Holdings Inc of 646m which was assigned to General Dynamics Global Holdings Ltd in 2023 and further assigned up the ownership chain to General Dynamics Corporation and fully settled in 2023. This was a short term loan with interest calculated using the applicable short term federal rate compounded quarterly.

10 Other financial assets and liabilities

	2023		2022	
	Assets	Liabilities	Assets	Liabilities
	Euro	Euro	Euro	Euro
	000	000	000	000
Current:				
Fair value of derivatives	5,417	3,949	11,126	246

GDEF is largely naturally hedged, since the funds received or lent in currencies other than Euros within the cash pool are invested in the same currency.

GDEF also enters into currency swaps to manage cash balances with no Foreign Exposure as part of the cash pool function and does not hedge against specific payables and receivables. These non-qualifying financial instruments are adjusted to market value each period end and changes in the value of the derivative financial instruments are recognised immediately in the Profit and Loss Account and Other Comprehensive Income.

Notes (continued)

10 Other financial assets and liabilities (continued)

Carrying amount and fair value of each class of financial assets and liabilities are presented in the table below:

As at 31 December 2023	Financial assets measured at amortised cost Euro (000)	Financial liabilities measured at amortised cost Euro (000)	Financial assets held at fair value Euro (000)	Financial liabilities held at fair value Euro (000)	Total carrying amount Euro (000)
Cash pooling ¹	785,653	-	-	-	785,653
Trade debtors within 1 year ²	945	-	-	-	945
Derivatives	-	-	5,517	-	5,517
Taxation	71	-	-	-	71
Cash at bank	235,269	-	-	-	235,269
Total assets	1,021,938	-	5,517	-	1,027,455
Cash pooling ³	-	1,218,152	-	-	1,218,152
Trade creditors ⁴	-	18	-	-	18
Derivatives	-	-	-	3,949	3,949
Accruals & deferred income	-	4,147	-	-	4,147
Total liabilities	-	1,222,317	-	3,949	1,226,266

11 Share capital

The share capital of GDEF comprises ordinary shares of £0.0001 each.

	2023		2022	
	Number of shares	Euro	Number of shares	Euro
<i>Allotted, called up and fully paid</i>	146,647,228	17,144	146,647,228	17,144
	146,647,228	17,144	146,647,228	17,144

¹ Cash pooling represents amounts owed from related parties under the cash pooling arrangements.

² Trade debtors includes amounts owed from related parties.

³ Cash pooling represents amounts owed to related parties under the cash pooling arrangements.

⁴ Trade creditors includes amounts owing to a related party.

Notes (continued)

12 Ultimate parent company

GDEF is a 100% owned subsidiary undertaking of General Dynamics Global Holdings Ltd, a company incorporated in England and Wales. General Dynamics Corporation is the ultimate parent company incorporated in the USA.

The largest and smallest group in which the results of GDEF are consolidated is that headed by General Dynamics Corporation, incorporated in the USA. The consolidated accounts of the group are available to the public and may be obtained from 11011 Sunset Hills Road, Reston, VA 20190.

13 Accounting Estimates and Judgements

Accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with FRS101 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The reported amounts and note disclosures reflect management's best estimate of the most probable set of economic conditions and planned course of actions. Actual results may differ from these estimates.

Significant areas of estimation uncertainty applying accounting policies that have the most significant effect on the amounts recognised in these financial statements include:

Investment Value/Impairment

The key estimate and judgement exercised by the directors is the investment value in its subsidiaries. Consideration is given to the net asset position and expected future profitability. There are no critical judgements.

Investments are reviewed annually for indicators of impairment and an impairment review undertaken should indicators of impairment arise. Where not supported by net assets, the fair value of the investments is measured using discounted cash flow analysis incorporating assumptions on risk and uncertainty to include equity risk premium, size premium and company specific risk premium reflecting the amount that market participants would demand for compensation for the uncertainty inherent in cash flows. Cash flows are derived from each entity's operating plan developed and reviewed on an annual basis and consider a four year forward-looking period. In addition to contractually-expected earnings, the Earnings before interest tax and amortisation (EBITA) include risks and opportunities with probabilities assigned to these. The period beyond the four year plan is considered as the terminal period and assumes that the forecast stabilises and more uniform assumptions can be used to cover projections such as growth (projected at 2%), capital expenditure and depreciation (assumed to net to nil provided no new major capital investments beyond the plan period) and tax rate (based on applicable tax jurisdictions and historical effective tax rates). Other working capital is included as a % of sales with terminal rates provided by the business units.

The forecasted cash flows are discounted using the capital asset pricing model (CAPM) to calculate the weighted average cost of capital with a discount rate applied specific to each entity. This is considered representative of a market participant's view of risk inherent in the projected cash flows and what they would be willing to pay for the asset. Groups of comparable companies were selected to determine the levered beta and leverage ratio inputs for the CAPM. These groups were selected with great consideration given to the accuracy of market conditions and to determine discount rates that would generally be consistent from year to year.

During the review, sensitivities in assumptions were tested to determine the headroom available in the valuation under different plausible scenarios. In particular, changes were made to projected revenue to recognise similar shortfalls to prior years in instances where actual results have previously been materially different to forecast combined with the existence of external challenges suggestive that actual revenue could be lower. Growth in the short term (1-2 years) has been tested by considering backlog and using rates consistent with typical performance. The growth rate stabilises at the start of the terminal period with rates applied to ensure alignment with industry growth projections and, where applicable, allowances made for industry specific differences (ie degree of customer price sensitivity due to operating in a luxury market) and risks associated with increased inflation, slowing economy and higher fuel prices where relevant.

An impairment of 25.2m Euro in General Dynamics Mission Systems Italy has been recognised due to the sale of the investment in 2024 where the proceeds are considered representative of the investment value at 31 December 2023. The sensitivity analysis did not identify any other investments requiring impairment (2022: nil).

Notes *(continued)*

14 Post balance sheet events

In 2024, GDEF sold its investment in General Dynamics Mission Systems Italy to a third party.