Gardner BTC Limited

Annual report and financial statements

Registered number 07485948

Year ended 31 December 2020

Contents

Officers and professional advisors

Directors	AJ Upton
Secretary	JA Storer
Registered office	Unit 9, Victory Park Victory Road Derby DE24 8ZF
Registered number	07485948
Bankers	National Westminster Bank 1 Princes Street London EC2R 8BP
Solicitors	BHW Solicitors 5 Grove Court Grove Park Enderby Leicestershire LE19 1SA

Strategic report

Overview of the Year

The Company is a subsidiary of Gardner Group Limited. Gardner Group Limited ("the Group") are members of the Gardner Aerospace Holdings Limited Group of companies ("the Gardner Group" / "Gardner"), one of Europe's largest suppliers of metallic aerospace detail parts and sub-assemblies to the aerospace industry with manufacturing facilities in the UK, France, Poland and India, and a facility now preparing for customer production certification in China.

The Group's customers include Airbus, Eaton, GKN, Gulfstream, Pilatus, RUAG, Safran, Spirit, and other international companies in the aerospace sector, producing detailed parts for all major Airbus aircraft as well as some Boeing commercial aircraft. The Group has a broad detailed part manufacturing and long-bed machining capability, consisting of machining, sheet metal fabrication and a range of surface treatments. It also provides assembly, kitting, logistic and fast turnaround "late definition" services to the aerospace industry.

2020 has been an extraordinary year as the Group faced significant implications from the downturn in aircraft passenger traffic and reduced commercial aerospace sector production as a consequence of the Covid-19 pandemic. The company and the Group has received excellent support from its key stakeholders, including shareholder, lenders and employees and has therefore been able to focus on not only planning for the recovery of global air travel and aircraft build rates but also ensuring that Gardner is better placed to achieve its ambitious growth goals in the coming decade and beyond.

Rapid Response to Commercial Aerospace Downturn

The business needed to act quickly and robustly to reshape our manufacturing base to meet an undefined shortfall in demand that reduced turnover by 46% in 2020.

The Company and Group have been impacted as follows:-

- Airbus, Boeing and the other aerospace primes typically supply long range forecasts to support business planning in the supply chain. These were withdrawn in Q2 FY20 as the initial impacts of the pandemic began to be understood. Faced with this increased uncertainty, the Board undertook a comprehensive planning exercise in April 2020 using newly published industry analyst reports at this time. The Group has its revised forecast and Strategic Plan on a worst-case scenario at the time which foresaw a recovery to 2019 levels of air travel in 2024/5.
- This conservative and prudent demand forecast resulted in both the Group and the company undertaking a significant restructuring program, accelerating long-term strategic planning actions, with the aim of reducing capacity in UK and France and 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 FY20 exit production volumes.
- Unfortunately, due to reduced demand we took the decision to close our sites at Hull and Broughton in the UK, moving production to other sites within the Group.
- Government guidelines have been followed at all locations and the Group enabled significant levels of remote working prior to government guidance to do so, as well as adapting operations to increase physical distancing between employees.
- Due to the significant reduction in customer demand seen across all customers, the Group utilised all available employment support schemes such as the Job Retention Scheme.
- Prudent steps were taken to mitigate and manage the Group's cash flow. This included a recruitment freeze, a salary freeze and adoption of available deferrals for government tax payments such as PAYE and VAT.
- Delay of some planned capital expenditure, particularly where this was planned to support future increases in build rates.
- During the period the tooling market was not initially affected by the volume reductions in the aerospace sector in 2020 as previous contracted work was in the process of being completed. As such sales and gross profitability were in line with the previous year

Strategic report *(continued)*

Gardner's response to Covid-19 was as follows :-

- A Covid-19 Committee was set up to oversee and coordinate the Gardner Group's response to the pandemic;
- Government guidelines and best practices were followed wherever we do business;
- New working practices were quickly embedded and the Group enabled significant levels of remote working, prior to government guidance to do so, as well as adapting operations to increase physical distancing between employees and enhanced cleaning protocols;
- We worked closely with our suppliers and customers to ensure business continuity;
- We were able to engage with a medical device manufacturer to manufacture and assemble devices to aid the treatment of Covid patients in UK hospitals;
- Our highest priority is the health, safety and welfare of our employees and we worked to support and respond to their needs during a difficult and changing environment.

<u>Business Continuity</u>

As part of the restructuring of the manufacturing base the Group has sought not only to maintain pre-pandemic machining capacity and capability but also to enhance manufacturing support capabilities in Poland and India through equipment transfers and new investment. Our focus on improved operational efficiency has not waivered and we are well placed to address the growth in demand driven by proposed increases in aircraft build rates as air traffic returns to normalised levels.

The Company continues to prioritise investments in automated manufacturing capabilities to facilitate the expected build rate increases that our customers are forecasting over the next 3-5 years. The Company has approached the recovery in FY21 with renewed confidence that it has enhanced capability and resources to enable the significant ramp in demand that is now forecast.

Lower H2 FY20 demand assisted in preparations for the various Brexit scenarios that were under negotiation. The main risk to the Company would be logistical issues and delays caused by customs administration, resulting in risk of late delivery to customers. We mitigated this by carrying additional stocks close to the customer to provide a buffer against any delays. The impact seen in Q1 FY21 was less significant than the scenario that we prepared for.

<u>Significant Contractual Awards and Growth Opportunities</u>

Making progress on the Group's ambitious growth plans has been slowed by the industry's focus on the response to the pandemic. Our focus on the development of new customers and market diversification continues, with first orders under frame agreements being won with customers in the Aircraft Equipment Sector. We expect this sector to provide the fuel for organic growth, over and above build rate increases, in the next 5 year period.

The Group was again recognised by Airbus as a Global Partner for detailed parts production in 2020, highlighting that the company remains well-positioned to support Airbus and other primes in the consolidation of detailed parts production. We expect this sector consolidation to be accelerated as we move into the initial phases of recovery in late 2021 and early 2022.

The Group continues to assess its ability to diversify away from its the Aerospace sector to de-risk its business model should another commercial aerospace downturn be experienced. The Board believe that Company has the capability to be successful in other industries but that the loss of focus on the aerospace sector at this phase of the recovery would be operationally challenging and would not necessarily create the long term value growth that is sought.

Strategic report *(continued)*

Financial Review and Key Performance Indicators
The key performance indicators on continuing activities are:

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Annual Sales Growth %	1.0%	-3.8%	17.1%
Gross Margin % sales	27.9%	31.2%	31.6%
Profit before tax % on sales	28.5%	18.5%	17.1%
£000's EBITDA pre exceptional items	1,659	1,085	-3,491
Current Liquidity	3.50	2.20	1.65

The key features in the result for the year:

- Sales were up 1.0% as the demand for tooling was less impacted by the pandemic.
- Government support to maintain jobs of £0.6 million was received;
- A higher average USD rate of 1.2885 in the year compared to a rate of 1.277 for the period to 31 December 2019 although, this is largely mitigated by the currency hedges the Group had in place;
- Whilst Capital expenditure has been restricted, investment in growth programmes has continued.

EBITDA pre exceptional costs on continuing activities (Earnings before interest, tax, depreciation, amortisation and investment income) increased from £1.1 million to £1.7 million for the period.

Sales for the year increased by 1.0% to £5.35 million *(Year ended 31 December 2019: £5.3 million)*. Gross profit margin decreased by £0.2 million to £1.5 million *(Year ended 31 December 2019: £1.7 million)*. The operating profit of £1.5 million for the year is £0.5 million more than the £1.0 million operating profit in the previous year. Net finance charges in the year were £0.3 million *(31 December 2019: £0.2 million)*.

Net current assets increased to £3.0 million *(31 December 2019: £1.7 million)* and total assets increased by £1.0 million to £4.4 million *(31 December 2019: £3.4 million)*. Net debt improved by £0.7 million to (£0.2) million at the year end *(31 December 2019: £0.5 million)*. Shareholders' funds increased from £2.0 million to £3.2 million.

Strategic report *(continued)*

Principal risks and uncertainties

The Company'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 Company 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 Company is exposed to are:

Currency risk

A significant proportion of both sales and purchases are in foreign currency, particularly US Dollar. The Company'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 Company's turnover is related to leading manufacturers' aircraft production levels. To control this risk the Company will review its forward order book, manufacturers' forecasts and market data on passenger growth rates.

Geopolitical Risk

The global geopolitical situation with worsening China – USA relations, does result in the Company's ownership structure complicating relationships with certain stakeholders. The company maintains clear governance and data firewalls with its shareholder to mitigate against stakeholder concerns.

Financial risk management

Funding and liquidity management are managed on a centralised basis by the Gardner Group Limited ("the Group"). 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 Company 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 Company 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 consider the risk from significant interest rate fluctuation is minimal.

Currency risk

The Company has Gardner Group loans and Bank loans in foreign currency and transactional currency exposures arising from sales and purchases in currencies other than the Company's functional currency. Where practicable such transaction exposures are hedged under the Company'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 Company's operational requirements. As at 31 December 2020 the Group had undrawn committed facilities of £16.0 million *(31 December 2019: £1.1million)* in addition to cash of £10.7 million *(31 December 2019: £5.8 million)*

Credit risk

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

Strategic report *(continued)*

Going concern and future finance

The Company acts as a guarantor for Group borrowing facilities managed on a centralised basis by Gardner Group Limited, the Company's immediate parent undertaking

The Group meets its day to day working capital requirements from its cash resources and invoice discounting facilities. Capital expenditure and acquisition funding has been met primarily through the Group's working capital facilities, separate term loans, plant and property loans and finance leases.

The Group had available finance facilities of £16.0 million in addition to £6.6 million of cash at 31 December 2020.

The Group's UK bank facilities are subject to financial covenants which, among others, required the business to be EBITDA positive.

The COVID-19 outbreak has presented the commercial aerospace industry with the most significant challenge that the industry has faced. The impact on the Group's sales volume has been significant and the expectation is that it will take a number of years for sales volume to recover to 2019 levels.

The reduction in sales volume impacted severely on profitability and funding availability under the Group's invoice discounting facilities. In turn this resulted in breaches in compliance with the Group's UK banking covenants, although the Group worked with its lenders to waive these breaches and any forecast future breaches. The Director's obtained formal waivers on covenant breaches ahead of the formal test dates, including the covenants at the year end. This was done through obtaining new facilities in December 2020 as noted below.

With liquidity negatively impacted, the Group obtained support from the Group's banks, government backed support schemes and its shareholder and completed a successful refinancing during December 2020 with the Group obtaining the following new facilities:

- £15 million of UK government back banking facilities
- £25 million of funding from the Group's Shareholder
- PLN 5 million of commercial borrowing in Poland

Entering 2021 the Group has continued to work closely with its primary lenders to address the on-going implications of the pandemic and delayed recovery in invoice discounting facilities.

The Group continued to execute the remainder of its restructuring plan following the impact of COVID-19 which saw the workforce headcount reduce from 1,876 to 1,279 and the continuing transfer of packages to low cost sites with the subsequent closure of the Broughton facility in June 2021, following the closure of Hull in 2020.

In 2021 the impact on Gardner's sales volume remains significant and the economic environment has also seen a strengthening of Sterling against the US dollar. As a consequence, the Group continues to face two of its key risks being volume and currency.

As a result of these effects, Gardner Group revenues in H1 2021 were only 2.5% higher than H2 2020, but on a more positive note current industry forecasts are now more defined on the route to recovery to 2019 air travel levels, with growth from Quarter 4 of 2021 through into 2022 being reflected in the Group's order book. The Gardner Group's operating results have also improved as a result of timely restructuring activities in 2020, with EBITDA profitability up 42%.

Strategic report *(continued)*

Going concern and future finance *(continued)*

To avoid further impact on its financial covenants from forecast ongoing suppressed trading in 2021 the Group obtained the following updates to its UK borrowing facilities during 2021:

- Loan capital repayments that were due in June 2021, deferred by 12 months to June 2022
- £8.0 million of funding from the Group's shareholder

In addition, the Group has agreed revised covenants in view of the further delay in recovery of air travel compared to the 2020 projections. The UK banking arrangements noted above mature in September 2023.

The directors have prepared updated profit and cash flow forecasts, taking account of reasonable possible downsides and the impact of Covid-19, to support the negotiation of the new banking facilities. These forecasts show that for the Group will be able to operate within its available facilities throughout the forthcoming 12 months. The directors have reviewed the available headroom on the facility and any covenant tests in the forthcoming 12 months and are comfortable there is adequate headroom and that additional equity funding would be made available, if needed from the shareholder. There is also a parental guarantee in place with the shareholder. On this basis, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months and, consequently, the directors consider it appropriate to prepare the financial statements on a going concern basis.

With the breakeven point lowered, Gardner's financial performance is well positioned to benefit from a strong recovery in aircraft build rates over the next 3-5 years.

Research and development

The Group has continued to invest in new technology and improvements to the quality of its services. During 2020 the Group was able to continue to expand its technological capability despite the circumstances and is committed to increasing the level of R&D expenditure as turnover expands. The Group are working on key industry projects for the technology solutions required for aircraft of the future included lightweight material and electric aircraft.

During the year, we have delivered solutions to customers by combining additive layer manufacturing techniques with our traditional machined or fabricated products, particularly in tooling applications. The Group expects this will be a source of future growth for the recently acquired subsidiary FDM and Gardner BTC Limited.

Environmental policy

The Company is committed to a responsible approach to 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 environmentally sound disciplines, which take practical steps to control effectively or eliminate any known pollution risks, without entailing excessive cost. 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 Gardner Group's management undertook a study in 2020 to look at how manufacturing sites could maximise the use of green energy sources. This study outlined suggested investments such as solar panels which are forecast to come on line in 2021.

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.

Strategic report *(continued)*

Employees

The Pandemic has highlighted the value of employee communications. The Company places considerable value on the engagement of its employees and has continued its practice of open, two-way communication on 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. To maintain communications, we have deployed video updates and enhanced our IT collaboration tools as a response to the reduction in face-to-face meetings.

In line with local or global initiatives such as mental health awareness, the Gardner Group arranges focused activities and keynote speakers to promote employee wellbeing.

The Company employs a small number of disabled people and will continue to do so wherever possible, through recruitment, by retention of persons who become disabled during service and by appropriate training, career development and promotion. The Group has in place a programme for the recruitment and development of apprentices and considers this a priority for the business.

The Company seeks to ensure that all employees, job applicants and prospective job applicants, are afforded equality of job opportunity in all areas of employment.

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.

2021 Outlook

The Group is focused on accelerating growth through delivering operational efficiency gains, capability investments and by securing new business. The Group's order book continues to grow in line with industry recovery. The Group's strategy is to continue to develop the business to take advantage of its customers' desire to have fewer and larger suppliers. Expansion and investment in existing facilities and new equipment will continue in 2021, particularly in Poland and India and through the development of the Gardner Group's site in China.

More aircraft will be built in China, particularly as Comac aircraft build rates increase, and the Gardner Group's Chengdu facility is well-positioned to support this increased demand for China sourced aerospace manufacturing capability, with initial certification of the Chengdu facility expected in Q4 2021.

Diversification of the customer base is also an important facet of the Group's growth strategy. Good progress has been made with initial contracts secured in 2021 from global Aerospace Tier One's who manufacture equipment for aircraft. The Group is pursuing further opportunities to service customers outside of its traditional aero structures market.

Following the year end, the aviation industry remains severely impacted by the global Covid-19 pandemic and the various measures continuing to be taken globally to suppress the virus. The outlook is improving with the question of air travel returning becoming a "when", not an "if". Industry forecasts and customer communications are increasingly positive about a forecast recovery in build rates in late 2021. Accordingly, the Gardner Group is focused on preparing to ramp up its output in line with the significant forecast in build rates over the next 2-3 years.

The Company therefore believes that its strategy to control its costs, become more efficient and expand its customer base and technical capability will help it to thrive as well as positioning it for a return to significant growth following the recovery from the pandemic.

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

AJ Upton
Director
Date: 27 September 2021

Directors' report

The directors present their report together with the financial statements for the year ended 31 December 2020.

Results and dividends

The principal activity of the Company is the provision of products and manufacturing services to the aerospace industry.

The profit for the year after taxation amounted to £1,252,000 *(Year to 31 December 2019: £739,000).* The directors do not recommend the payment of a dividend for the year, *(Year ended 31 December 2019: £nil)* resulting in an amount of £1,252,000 *(Year ended 31 December 2019: £739,000)* to be transferred to reserves.

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 2020, the directors had regard to the factors set out above in making the principal decisions taken by the Company.

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

Gardner Group 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, they also attend the monthly board meetings and receive minutes of these meetings.

As a Group we are focused on environmental standards as laid out in the environmental policy on page 7 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 of the Company during the financial year and subsequently were as follows:

DO Cartwright (Resigned 2 July 2021)
AJ Upton

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

Political contributions

The Company made no political donations during the year (*Year ended 31 December 2019: £Nil*).

Audit Exemption

The Company is exempt from the requirements to file audited accounts by virtue of section 479a of the Companies Act 2006. A statutory guarantee has been provided to the Company by Gardner Group Limited the Company's parent undertaking.

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

AJ Upton
Director

27 September 2021

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 period. 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 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

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

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

Profit and loss account

	Note	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Turnover	2	**5,347**	5,294
Cost of sales		**(3,857)**	(3,641)
Gross profit		**1,490**	1,653
Administrative expenses		**(559)**	(649)
Exceptional items	3	**(10)**	-
Other income	3	**616**	-
Operating profit		**1,537**	1,004
Interest payable and similar expenses	6	**(15)**	(23)
Profit before taxation	3	**1,522**	981
Taxation	7	**(270)**	(188)
Profit for the financial year		**1,252**	793

In both the current and prior year, the Company made no material acquisitions and had no discontinued operations.

There were no recognised gains or losses in either the current or prior year other than the result shown above. Accordingly, no statement of other comprehensive income is presented.

Balance sheet
at 31 December 2020

	Note	**31 December 2020**		31 December 2019	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*8*		**230**		257
Current assets					
Stocks	*9*	**165**		144	
Debtors (including £75,000 *(2019: £75,000)* due after more than one year)	*10*	**3,896**		2,726	
Cash at bank and in hand		**122**		258	
		4,183		3,128	
Creditors: amounts falling due within one year	*11*	**(1,196)**		(1,420)	
Net current assets			**2,987**		1,708
Net assets			**3,217**		1,965
Capital and reserves					
Called up share capital	*15*		**-**		-
Profit and loss account			**3,217**		1,965
Shareholder's funds			**3,217**		1,965

Subsidiary Audit Exemption

For the financial year ended 31 December 2020 the Company was entitled to exemption under section 479a of the Companies Act 2006. No members have required the Company to obtain an audit of its financial statements for the year in accordance with section 476 of the Companies Act 2006.

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

These financial statements were approved by the board of directors and authorised for issue on 27 September 2021 and were signed on its behalf by:

AJ Upton
Director

Company registered number: 07485948

Statement of changes in equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	-	1,172	1,172
Total comprehensive income for the year			
Profit for the year	-	793	793
Balance at 31 December 2019	-	**1,965**	**1,965**

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2020	-	1,965	1,965
Total comprehensive income for the year			
Profit for the year	-	1,252	1,252
Balance at 31 December 2020	-	**3,217**	**3,217**

Notes
(forming part of the financial statements)

1 Accounting policies

Gardner BTC Limited (the "Company") is a private company limited by shares and incorporated and domiciled in the UK. The principal activities of the Company are described in the Directors' Report and the registered office is disclosed in the Officers and professional advisors page of the accounts.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) and in accordance with the Companies Act 2006. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's intermediate parent undertaking, Gardner Aerospace Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Gardner Aerospace Holdings Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from Unit 9, Victory Park, Victory Road, Derby, DE24 8ZF. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the year;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Gardner Aerospace Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- 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 periods 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 21.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis.

1.2. Going concern

The Company acts as a guarantor for Group borrowing facilities managed on a centralised basis by Gardner Group Limited, the Company's immediate parent undertaking

The Group meets its day to day working capital requirements from its cash resources and invoice discounting facilities. Capital expenditure and acquisition funding has been met primarily through the Group's working capital facilities, separate term loans, plant and property loans and finance leases.

The Group had available finance facilities of £16.0 million in addition to £6.6 million of cash at 31 December 2020.

The Group's UK bank facilities are subject to financial covenants which, among others, required the business to be EBITDA positive.

The COVID-19 outbreak has presented the commercial aerospace industry with the most significant challenge that the industry has faced. The impact on the Group's sales volume has been significant and the expectation is that it will take a number of years for sales volume to recover to 2019 levels.

The reduction in sales volume impacted severely on profitability and funding availability under the Group's invoice discounting facilities. In turn this resulted in breaches in compliance with the Group's UK banking covenants, although

Notes *(continued)*

1 Accounting policies *(continued)*

1.2. Going concern (continued)

the Group worked with its lenders to waive these breaches and any forecast future breaches. The Director's obtained formal waivers on covenant breaches ahead of the formal test dates, including the covenants at the year end. This was done through obtaining new facilities in December 2020 as noted below.

With liquidity negatively impacted, the Group obtained support from the Group's banks, government backed support schemes and its shareholder and completed a successful refinancing during December 2020 with the Group obtaining the following new facilities:

- £15 million of UK government back banking facilities
- £25 million of funding from the Group's Shareholder
- PLN 5 million of commercial borrowing in Poland

Entering 2021 the Group has continued to work closely with its primary lenders to address the on-going implications of the pandemic and delayed recovery in invoice discounting facilities.

The Group continued to execute the remainder of its restructuring plan following the impact of COVID-19 which saw the workforce headcount reduce from 1,876 to 1,279 and the continuing transfer of packages to low cost sites with the subsequent closure of the Broughton facility in June 2021, following the closure of Hull in 2020.

In 2021 the impact on Gardner's sales volume remains significant and the economic environment has also seen a strengthening of Sterling against the US dollar. As a consequence, the Group continues to face two of its key risks being volume and currency.

As a result of these effects, Gardner Group revenues in H1 2021 were only 2.5% higher than H2 2020, but on a more positive note current industry forecasts are now more defined on the route to recovery to 2019 air travel levels, with growth from Quarter 4 of 2021 through into 2022 being reflected in the Group's order book. The Gardner Group's operating results have also improved as a result of timely restructuring activities in 2020, with EBITDA profitability up 42%.

To avoid further impact on its financial covenants from forecast ongoing suppressed trading in 2021 the Group obtained the following updates to its UK borrowing facilities during 2021:

- Loan capital repayments that were due in June 2021, deferred by 12 months to June 2022
- £8.0 million of funding from the Group's shareholder

In addition, the Group has agreed revised covenants in view of the further delay in recovery of air travel compared to the 2020 projections. The UK banking arrangements noted above mature in September 2023.

The directors have prepared updated profit and cash flow forecasts, taking account of reasonable possible downsides and the impact of Covid-19, to support the negotiation of the new banking facilities. These forecasts show that the Group will be able to operate within its available facilities throughout the forthcoming 12 months. The directors have reviewed the available headroom on the facility and any covenant tests in the forthcoming 12 months and are comfortable there is adequate headroom and that additional equity funding would be made available, if needed from the shareholder. There is also a parental guarantee in place with the shareholder. On this basis, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months and, consequently, the directors consider it appropriate to prepare the financial statements on a going concern basis.

With the breakeven point lowered, Gardner's financial performance is well positioned to benefit from a strong recovery in aircraft build rates over the next 3-5 years.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3. Foreign currency

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

1.4. Classification of financial instruments issued by the Company

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

(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 the Company'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.

1.5. 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Leases in which the Company 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 1.11 below.

The Company 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:

Short leasehold property	Straight line over the period of the lease
Plant, fixtures and equipment	5 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 Company expects to consume an asset's future economic benefits.

1.7. 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 Company assesses whether stocks are impaired or if an impairment loss recognised in prior periods 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.

1.8. 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, impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.8. Impairment excluding stocks and deferred tax assets (continued)

Non-financial assets

The carrying amounts of the Company'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 "CGU", "cash-generating unit").

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.

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

Impairment losses recognised in prior periods 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.

1.9. Employee benefits

Defined contribution plans

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

1.10. Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes and is recognised when goods are despatched and all the risks and rewards have been transferred to the customer. Income from service contracts is recognised over the life of the contracts.

1.11. 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.

Interest payable

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

Interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Notes *(continued)*

1 Accounting policies *(continued)*

1.12. Taxation

Tax on the profit or loss for the period 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 periods 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 is it 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.

1.13. 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.

2 Turnover

All turnover relates to the sale of goods and originates from continuing operations and activity in the United Kingdom.

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
United Kingdom	**416**	307
Europe	**1,019**	1,514
Other	**3,912**	3,473
	5,347	5,294

Notes *(continued)*

3 Profit before taxation

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
The profit before taxation is stated after charging/(crediting):		
Depreciation of owned assets (note 8)	**112**	81
Foreign exchange losses / (gains)	**37**	(12)
Operating lease rentals (note 16)	**130**	160
Exceptional costs	**10**	-
Other operating income – Research and Development Expenditure Credit	**(552)**	-
Other operating income – Government Grants (Coronavirus)	**(64)**	-

Exceptional costs:
The non-recurring costs incurred and recognised in the year totalling £10,000 (2019: £Nil) are in relation to the provision and cost of redundancy programmes forming part of the groupwide reorganisation action taken as a result of COVID-19 as described in the strategic report.

Auditors remuneration:
The cost of amounts receivable by the company's auditor in respect of audit and non-audit services are borne by the company's immediate parent Gardner Group Limited

4 Staff numbers and costs

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

	Number of employees	
	Year ended 31 December 2020	Year ended 31 December 2019
Production	**38**	40
Administration	**5**	5
	43	45

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Wages and salaries	**1,865**	1,931
Social security costs	**193**	201
Contributions to defined contribution plans (note 14)	**49**	50
	2,107	2,182

Notes *(continued)*

5 Directors' remuneration

During the year the directors were remunerated by Gardner Group Limited. Details of their total remuneration received from Gardner Group Limited are included below:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Directors' remuneration	**535**	1,088
Company contributions to money purchase pension plans	**23**	50

The aggregate of remuneration of the highest paid director was £324,000 *(Year ended 31 December 2019: £307,000)*, and Company pension contributions of £13,000 *(Year ended 31 December 2019: £13,000)* were made to a money purchase scheme on his behalf.

Compensation for loss of office paid to directors during the period totalled £Nil (2019: £150,000).

	Number of directors	
	Year ended 31 December 2020	Year ended 31 December 2019
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**2**	5

6 Interest payable and similar expenses

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Interest payable on financial liabilities at amortised cost	**15**	23
Total other interest payable and similar expenses	**15**	23

Interest payable and similar expenses includes interest payable and similar on bank loans and overdrafts of £15,000 *(Year ended 31 December 2087: £23,000)*.

Notes *(continued)*

7 Taxation

Total tax expense recognised in the profit and loss account

	Year ended 31 December 2020		Year ended 31 December 2019	
	£000	**£000**	£000	£000
Current tax				
Current tax on income for the year		**225**		163
Adjustments in respect of prior years		**46**		8
Total current tax		**271**		171
Deferred tax (note 13)				
Origination and reversal of timing differences	**9**		17	
Adjustments in respect of prior years	**1**		-	
Effect of changes in tax rate	**(11)**		-	
Total deferred tax		**(1)**		17
Total tax		**270**		188

Reconciliation of effective tax rate

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Profit for the year	**1,252**	793
Total tax expense	**270**	188
Profit excluding taxation	**1,522**	981
Tax using the UK corporation tax rate 19.00 % *(Year ended 31 December 2019: 19.00 %)*	**289**	186
R&D expenditure credits	**(51)**	(17)
Permanent differences	**(4)**	8
Adjustment to tax charge in respect of prior periods	**47**	8
Difference between DT rate and CT rate	-	(2)
Deferred tax not recognised previously	-	5
Deferred tax rate balance differences	**(11)**	
Total tax expense included in profit or loss	**270**	188

The rate of UK corporation tax reduced from 20% to 19% with effect from 1 April 2017 and with an additional reduction to 17% (effective 1 April 2020) substantively enacted on 15 September 2017, the Company has measured its deferred tax assets and liabilities at the end of the year at 19% *(Year ended 31 December 2019: 17%).* This will reduce the Group's future tax charge accordingly.

In the budget on 3 March 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 19% which was the tax rate substantively enacted at 31 December 2020.

Notes *(continued)*

8 Tangible fixed assets

	Short leasehold land and buildings £000	Plant and machinery £000	Total £000
Cost			
Balance at 1 January 2020	219	2,086	2,305
Additions	-	85	85
Balance at 31 December 2020	219	2,171	2,390
Depreciation			
Balance at 1 January 2020	177	1,871	2,048
Depreciation charge for the year	22	90	112
Balance at 31 December 2020	199	1,961	2,160
Net book value			
At 31 December 2020	**20**	**210**	**230**
At 31 December 2019	42	215	257

Security

The assets are pledged as security for loans held by the Company's parent undertaking.

9 Stocks

	31 December 2020 £000	31 December 2019 £000
Work in progress	**165**	144

There were no stock provision movements in the year *(Year ended 31 December 2019: £Nil)*. Provisions are prudently assessed based on the age of items and the forward order book.

Stocks are pledged as security for liabilities under invoice discounting facilities (note 12).

Notes *(continued)*

10 Debtors

	31 December 2020 £000	31 December 2019 £000
Trade debtors (note 12)	**527**	1,384
Invoice discounting facilities	**110**	-
Amounts owed by group undertakings	**2,810**	1,141
VAT	**19**	85
Deferred tax assets (note 13)	**92**	91
Prepayments and accrued income	**32**	25
Corporation tax	**306**	-
	3,896	2,726
Due within one year	**3,821**	2,651
Due after more than more than one year	**75**	75
	3,896	2,726

Trade debtors are pledged as security for liabilities under invoice discounting facilities (note 12).

11 Creditors: amounts falling due within one year

	31 December 2020 £000	31 December 2019 £000
Invoice discounting facilities (note 12)	**-**	677
Trade creditors	**194**	391
Amounts owed to group undertakings	**128**	78
Corporation tax	**-**	79
Taxation and social security	**363**	52
Accruals and deferred income	**511**	143
	1,196	1,420

The amounts owed to group undertakings are not interest bearing and are not secured.

12 Interest-bearing loans and borrowings

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

	31 December 2020 £000	31 December 2019 £000
Amounts falling due within less than one year		
Invoice discounting facility	**(110)**	677

The invoice discounting facilities are secured by fixed and floating charges over the property and assets of Group Companies obligated as guarantors. The invoice discounting facility carries a nominal interest rate of 1.75% above LIBOR.

Notes *(continued)*

13 Deferred tax assets

	31 December 2020	31 December 2019
	£000	£000
At beginning of year	**91**	108
Credited / (charged) during the year	**1**	(17)
At end of year	**92**	91

Deferred tax comprises:

	Recognised	
	31 December 2020	31 December 2019
	£000	£000
Accelerated capital allowances	**88**	87
Other timing differences	**4**	4
	92	91

The Company has no unrecognised deferred tax asset or liabilities *(Year ended 31 December 2019: £Nil).*

14 Employee benefits

The Company has made payments in the year totalling £49,000 *(Year to 31 December 2019: £50,000)* to a defined contribution pension scheme, the net assets of which are held in an independently administered fund. The pension cost charge represents the total contributions payable to the fund. At 31 December 2020 there were £8,000 *(31 December 2019: £10,000)* of unpaid pension contributions.

15 Capital and reserves

Share capital

	31 December 2020	31 December 2019
	£	£
Allotted, called up and fully paid		
1 ordinary shares of £1 each	**1**	1
Shares classified in shareholders' funds	**1**	1

Notes *(continued)*

16 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	31 December 2020	31 December 2019
	£000	£000
Less than one year	**82**	159
Between one and five years	-	82
	82	241

During the year £130,000 was recognised as an expense in the profit and loss account in respect of operating leases *(Year to 31 December 2019: £160,000).*

17 Commitments

Capital commitments

The Company contractual commitments to purchase tangible fixed assets at the year end were £Nil *(31 December 2019: £Nil).*

18 Contingencies

At 31 December 2020 there was a guarantee and set off agreement between Group undertakings and the National Westminster Bank. The total indebtedness of the Group at 31 December 2020 amounted to £Nil *(31 December 2019: £Nil).* In addition, National Westminster Bank has issued a customs comprehensive guarantee for £2,550 *(31 December 2019: £2,550).*

19 Related parties

Identity of related parties with which the Company has transacted

As the Company was a wholly owned subsidiary of Gardner Group Limited, who in turn are a wholly owned subsidiary of Gardner Aerospace Holdings Limited at 31 December 2020, the Company has taken advantage of the exemption contained in FRS102.33.1A and has therefore not disclosed transactions or balances with wholly owned entities which form part of the Group headed by Gardner Aerospace Holdings Limited.

20 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.

The smallest group in which the results of the Company are consolidated is that headed by Gardner Group Limited. The consolidated financial statements of Gardner Group Limited are available to the public and may be obtained from Unit 9, Victory Park, Victory Road, Derby, DE24 8ZF.

Notes _(continued)_

21 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 tax losses and reversals of accelerated capital allowances are based on management forecasts.

Stock provision: Management consider the recoverability of the stock at the year end 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.

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

Impairment review: Management perform annual impairment reviews of tangible 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.

22 Post balance sheet events

Refinancing

With the support of LAT, the shareholder and National Westminster Bank as primary lender to the company and its subsidiaries in July 2021 the Group has secured £8.0 million of funding from LAT as well as entering a revised repayment profile to 2023 for £8.0 million of existing UK loans. In addition, the Group has agreed revised covenants in lieu of adverse market conditions.