Gardner Group Limited

Annual report and consolidated financial statements

Registered number 04672639

Year ended 31 December 2022

Contents

Officials and professional advisers

Directors	P Visotschnig (Appointed 3 May 2022) LT Ford
Secretary	PS Bon
Registered office	Unit 9, Victory Park Victory Road Derby DE24 8ZF
Company registration number	04672639
Bankers	National Westminster Bank 1 Princes Street London EC2R 8BP
Solicitors	BHW Solicitors 5 Grove Court Grove Park Enderby Leicestershire LE19 1SA
Auditors	PKF Smith Cooper Audit Limited Statutory Auditors Prospect House 1 Prospect Place Pride Park Derby DE24 8HG

Strategic report

Background

Gardner Group Limited ("the Company") and its subsidiaries ("the Group") are members of the Gardner Aerospace Holdings Limited Group of Companies (the Gardner Group" / "Gardner"), and is one of the largest suppliers of metallic aerospace detail parts and sub-assemblies to the aerospace industry with manufacturing facilities in the UK, Europe and Asia.

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

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

Continuing Recovery following the Covid-19 Pandemic

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

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

Despite these headwinds Gardner has continued to prepare for the growth demands and accelerated ramp-ups forecast by its customers. In 2022 turnover has increased by 36.7% to £126 million and headcount has increased from 1,286 to 1,432 employees with all sites back to full-time working.

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

Strategic report *(continued)*

Future Outlook

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

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

The key strategic aims remain: -

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

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

Planning for Growth and further Capability

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

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

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

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

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

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

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

Strategic report *(continued)*

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

	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Annual Sales Growth %	37%	-9%	-46%	39%
Gross Margin % sales	10%	11%	9%	21%
Profit before Tax % on sales	-18.63%	-41.44%	-23.5%	5%
EBITDA pre exceptional items	-£6.3 million	£4.0 million	£1.1 million	£21.2 million
Current Liquidity	0.71	0.96	0.97	0.83
Average net debt to EBITDA ratio	-16.18	17.51	47.88	3.01
Return on Capital Employed	-13%	-32%	-15%	12%

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

- Sales were up by 37% as a consequence of the post pandemic recovery. Gross margin was impacted by the major disruption of supplier chain caused by pandemic and high inflation caused by the war between Russia and Ukraine.
- Restructuring costs of £3.0 million were incurred relating to on-going reorganisation across the group and the costs of refinancing.
- No further intangible asset impairment incurred after the impairment in prior year (*2021: £23.3 million*). There was no further intangible asset impairment in the year in respect of customer relationships (*31 December 2021: £22.4 million*) and development costs (*31 December 2021: £0.9 million*);
- Government support to maintain jobs was not received in 2022 (*31 December 2021: £0.4 million*);
- A lower average USD rate of 1.2381 in the year compared to a rate of 1.3775 for the year to 31 December 2021 has not fully benefitted the result due to cashflow hedges taken out in 2021 at an average rate of 1.38. Foreign exchange losses from translation and hedge arrangements amounts to £4.9 million (Year ended 31 December 2021: £1.4 million gain);
- Invoice discounting facilities reduced by £1.54 million as a result of trading and early payment of debt in December 2022 that would normally be paid in 2023;
- Total external borrowings, including invoice discounting facilities, reduced down to £54.2 million from £60.7 million in 2021.
- Bank Loan of £5.0 million was repaid during 2022 provided by the Gardner Aerospace Holding Ltd using funding received from the ultimate shareholder in response to requirements caused by Covid-19.

Strategic report *(continued)*

Financial Review and Key Performance Indicators *(continued)*

EBITDA pre exceptional costs on continuing activities (Earnings before interest, tax, depreciation, amortisation and investment income) reduced from £4.0 million profit to loss of £6.3million.

The exceptional cost in the year was a net expense contributing to losses of £3.0 million *(Year ended 31 December 2021: net expense £26.7 million)*. This predominantly related to £3.3 million of professional fees in relation to the refinancing process and redundancies as part of the continued groupwide reorganisation action taken as a result of COVID-19 *(Year ended 31 December 2021. £2.0 million)* This is net of £0.3million of insurance proceeds.

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

Finance charges for the year was a net payable of £7.1 million which is 45% more than in 2021 as a result of increased borrowing in particular invoice discounting and Group loans. The resulting loss before tax for 2022 was £23.4 million compared to a loss before tax of £38.1 million in the previous year. There is a tax credit of £0.2 million compared to a £2.4 million charge in 2021. The resulting loss of earnings at £23.2 million is £17.3 million better compared to the £40.5 million loss in 2021 mainly driven by the prior year impairment of the intangible assets.

The Current Liquidity ratio is at 0.71. Net current liabilities increased from £3.3 million to £35.2 million. The adverse movement in net current liabilities of £31.9 million is influenced by:

- Bank loans of £25 million becoming due within one year.
- An increase in trade creditors due to increased trading;
- Reduced trade debtors and invoice discounting facilities associated with $11 million of customer receipts paid ahead of normal terms in 2022;
- Higher stock levels due to increased trading;

Net assets decreased from -£24.2 million to -£49.5 million during the year. Return on Capital Employed *(Defined as: Earnings before interest and tax / Average (Net Assets + Net Debt))* has improved from -32% to -13% which is the result of net earnings.

Principal Risks and Uncertainties

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

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

Currency Risk

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

Civil Aviation Growth Rates

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

Geopolitical Risk

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

Strategic report *(continued)*

Financial Risk Management

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

Interest Rate Risk

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

Currency Risk

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

Liquidity Risk

The Group maintains committed facilities that are designed to ensure sufficient funding for the Group's operational requirements. At 31 December 2022 the Group had undrawn committed facilities of £4.6 million *(31 December 2021: £3.1 million)* in addition to £3.4 million of cash *(31 December 2021: £3.0 million)*.

Credit Risk

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

Going Concern

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

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

Current funding facilities

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

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

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

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

Strategic report *(continued)*

Current funding facilities *(continued)*

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

Parent Company Support

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

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

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

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

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

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

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

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

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

Research and Development

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

Strategic report *(continued)*

Environmental Policy

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

The Management of the Group seeks to minimise any adverse impact on the environment from all aspects of the Group's operations by means of sound environmental and sustainability policies and procedures, which take practical steps to control effectively or eliminate any known pollution risks, and where reasonably practicable improve use of resources. Specifically, capital expenditure is directed towards the replacement of hazardous materials with environmentally friendly alternatives, methods of minimising the environmental costs of disposal and recycling of waste and the reduction of energy consumption. The Group has installed solar panels at its Derby facility and will continue a roll out of installations across other sites where practical to do so, this is a further step in reducing its carbon footprint whilst benefiting from energy resilience. The Group has made a submission to the industry backed CDP (Carbon Disclosure Project) and has engaged a third-party specialist to support planning for an ESG road map for the next 3-5 years. As the company has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under the SECR carbon reporting regulations and is not required to report on its emissions, energy consumption or energy efficiency activities. ESOS reporting has been completed in line with mandated requirements. The wider group is not required to disclose its carbon reporting due to its size and that of its subsidiaries.

Engagement with suppliers, customers, and others business relationships

When making strategic decisions the Group takes into consideration the potential impact on its suppliers, customers, and other business relationships. The Group has regularly meetings and communication with its customers and suppliers to review delivery and quality performance and to plan capacity and manufacturing supply requirements. This ensures the Group can support industry growth plans and deliver value to its customers. Focusing on sustainability in all aspects of its business has also been set as one of the key strategies.

Employees

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

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

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

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

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

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

P Visotschnig
Director
Date: 22 December 2023

Directors' report

The Directors present their report on the affairs of Gardner Group Limited and its subsidiary undertakings (the 'Group') and its parent company, Gardner Group Limited (the 'Company'), together with the financial statements and independent auditor's report, for the year ended 31 December 2022.

Share Capital and Control

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

Dividends

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

Section 172 Companies Act 2006.

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

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

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

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

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

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

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

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

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

Directors' report *(continued)*

Directors

The Directors who served during the period and subsequently were as follows:

P Visotschnig (Appointed 3 May 2022)
LT Ford
AJ Upton (Resigned 26 September 2022)

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

Existence of subsidiaries outside the UK

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

Political contributions

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

Disclosure of information to auditors

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

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

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

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

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

P Visotschnig
Director
Date: 22 December 2023

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)..

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

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

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

Independent auditor's report to the members of Gardner Group Limited

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

Material uncertainty related to going concern

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Other information

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

We have nothing to report in this regard

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

Responsibilities of directors

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identify the key laws and regulations affecting the group.

We identified that the principal risk of fraud or non-compliance with laws and regulations related to:

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

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

Our procedures included, but were not limited to:

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

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

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation.

This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

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

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

Use of our report

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

PKF Smith Cooper Audit Limited

James Delve (Senior statutory auditor)
for and on behalf of
PKF Smith Cooper Audit Limited
Statutory Auditors
Prospect House
1 Prospect Place
Millenium Way
Derby
DE24 8HG
Date: 22 December 2023

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

	Note	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Turnover	*2*	125,626	91,913
Cost of sales		(112,656)	(81,845)
Gross profit		12,970	10,068
Administrative expenses		(26,033)	(18,006)
Exceptional items	*7*	(3,000)	(26,737)
Other net operating (costs) / income	*7*	(246)	1,492
Operating loss		(16,309)	(33,183)
Interest receivable and similar income	*5*	419	654
Interest payable and similar expenses	*6*	(7,513)	(5,557)
Loss before taxation	*7*	(23,403)	(38,086)
Taxation charge	*8*	165	(2,414)
Loss for the financial year		(23,238)	(40,500)
Loss attributable to			
Shareholders of the parent company		(23,238)	(40,500)
Total loss		(23,238)	(40,500)

Consolidated statement of comprehensive income
for the year ended 31 December 2022

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Loss for the year	**(23,238)**	(40,500)
Other comprehensive income / (loss)		
Foreign exchange gain / (loss) on translation of foreign operations	87	(2,916)
Net loss on cash flow hedge	(1,642)	(2,210)
Net (loss) / gain on hedge of net investments in foreign operations	(379)	718
Other comprehensive (expense) / income for the year, net of income tax	**(1,934)**	(4,408)
Total comprehensive expense for the year	**(25,172)**	(44,908)

Consolidated balance sheet
at 31 December 2022

	Note	31 December 2022		31 December 2021	
		£000	£000	£000	£000
Fixed assets					
Intangible assets					
Goodwill	9	313		330	
Other intangibles	9	3,388		4,185	
			3,701		4,515
Tangible assets	10		49,599		49,330
			53,300		53,845
Current assets					
Stocks	12	30,387		20,911	
Debtors (including £21,503,000 *(31 December 2021: £22,541,000)* due after more than one year)	13	51,553		54,300	
Cash at bank and in hand		3,407		2,969	
		85,347		78,180	
Creditors: amounts falling due within one year	14	(120,562)		(81,476)	
Net current liabilities			(35,215)		(3,296)
Total assets less current liabilities			18,085		50,549
Creditors: amounts falling due after more than one year	15		(65,107)		(73,823)
Provisions for liabilities	20		(2,406)		(982)
Net liabilities			(49,428)		(24,256)
Capital and reserves					
Called up share capital	23		1		1
Share premium account			9,995		9,995
Foreign currency hedge reserve			(3,105)		(1,463)
Profit and loss account			(56,319)		(32,789)
Shareholder's funds			(49,428)		(24,256)

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

LT Ford
Director

Company registered number: 04672639

Company balance sheet
at 31 December 2022

	Note	31 December 2022 £000	31 December 2022 £000	31 December 2021 Restated £000	31 December 2021 Restated £000
Fixed assets					
Intangible assets	*9*		1,181		1,668
Tangible assets	*10*		10,609		10,725
Investments	*11*		57,824		55,912
			69,614		68,305
Current assets					
Debtors (including £29,179,000 *(31 December 2021: £26,244,000)* due after more than one year)	*13*	47,957		52,799	
Cash at bank and in hand		1,159		1,007	
		49,116		53,806	
Creditors: amounts falling due within one year	*14*	(103,221)		(83,663)	
Net current liabilities			(54,105)		(29,857)
Total assets less current liabilities			15,509		38,448
Creditors: amounts falling due after more than one year	*15*	(58,238)		(63,031)	
Provisions for liabilities	*20*	-		-	
			(58,238)		(63,031)
Net liabilities			(42,729)		(24,583)
Capital and reserves					
Called up share capital	*23*		1		1
Share premium account			9,995		9,995
Foreign currency hedge reserve			(3,105)		(1,463)
Profit and loss account			(49,620)		(33,116)
Shareholder's funds			(42,729)		(24,583)

The Company's loss for the year was £16,504,000 *(31 December 2021: £34,121,000)* and other comprehensive expense for the year was £1,642,000 *(Year ended 31 December 2021: expense £2,210,000)*.

The balance sheet for year end of 31 December 2021 is restated due to revaluation of investment property. See note 1 for more details.

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

LT Ford
Director

Company registered number: 04672639

Consolidated statement of changes in equity

	Called up share capital £000	Share premium account £000	Foreign currency hedge reserve £000	Profit and loss account £000	Total share holder's funds £000
Balance at 1 January 2021	1	9,995	747	9,909	20,652
Total comprehensive (expense) / income for the year					
Loss for the year	-	-	-	(40,500)	(40,500)
Other comprehensive income / (expense)					
Foreign exchange loss on translation of foreign operations	-	-	-	(2,916)	(2,916)
Net gain on hedge of net investments in foreign operations	-	-	-	718	718
Net loss on cash flow hedge	-	-	(2,210)	-	(2,210)
Balance at 31 December 2021	1	9,995	(1,463)	(32,789)	(24,256)

	Called up share capital £000	Share premium account £000	Foreign currency hedge reserve £000	Profit and loss account £000	Total Share holder's funds £000
Balance at 1 January 2022	1	9,995	(1,463)	(32,789)	(24,256)
Total comprehensive (expense) / income for the year					
Loss for the year	-	-	-	(23,238)	(23,238)
Other comprehensive income / (expense)					
Foreign exchange gain on translation of foreign operations	-	-	-	87	87
Net loss on hedge of net investments in foreign operations	-	-	-	(379)	(379)
Net loss on cash flow hedge	-	-	(1,642)	-	(1,642)
Balance at 31 December 2022	1	9,995	(3,105)	(56,319)	(49,428)

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

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

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

Company statement of changes in equity

	Called up share capital £000	Share premium account £000	Foreign currency hedge reserve £000	Profit and loss account £000	Total share holder's funds £000
Balance at 1 January 2021 -as previously stated	1	9,995	747	(2,195)	8,548
Prior year adjustment - revaluation	-	-	-	3,200	3,200
Balance at 1 January 2021 – as restated	**1**	**9,995**	**747**	**1,005**	**11,748**
Total comprehensive (expense) / income for the year					
Loss for the year – as previously stated	-	-	-	(34,442)	(34,442)
Prior year adjustment - revaluation	-	-	-	321	321
Loss for the year – as restated	-	-	-	(34,121)	(34,121)
Other comprehensive expense					
Net loss on cash flow hedge	-	-	(2,210)	-	(2,210)
Balance at 31 December 2021 - restated	**1**	**9,995**	**(1,463)**	**(33,116)**	**(24,583)**

	Called up Share Capital £000	Share premium account £000	Foreign currency hedge reserve £000	Profit and loss Account £000	Total share holder's funds £000
Balance at 1 January 2022 - restated	1	9,995	(1,463)	(33,116)	(24,583)
Total comprehensive (expense) / income for the year					
Loss for the year	-	-	-	(16,504)	(16,504)
Other comprehensive expense					
Net loss on cash flow hedge	-	-	(1,642)	-	(1,642)
Balance at 31 December 2022	**1**	**9,995**	**(3,105)**	**(49,620)**	**(42,729)**

Notes
(forming part of the financial statements)

1 Accounting policies

Gardner Group Limited (the "Group") is a private company limited by shares and incorporated and domiciled in the UK.

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

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

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

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

The Group is also included within the consolidated financial statements of its parent undertaking, Gardner Aerospace Holdings Limited ("The Gardner Group" / "Gardner") and has not disclosed a separate Group Cash Flow Statement with related notes under the exemptions provided by FRS 102.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 28.

1.1. Measurement convention

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

1.2. Going concern

Background

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

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 Going concern (continued)

Current funding facilities

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

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

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

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

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

Shareholder Support

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

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

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.2. Going concern (continued)

Shareholder Support *(continued)*

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

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

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

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

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

De-risk assumptions

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

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

Conclusions

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.3. Basis of consolidation

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

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

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.4. Foreign currency

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

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

1.5. Classification of financial instruments issued by the Group

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

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

1.6. Basic financial instruments

Trade and other debtors / creditors

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

Interest-bearing borrowings classified as basic financial instruments

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

Cash and cash equivalents

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.7. Other financial instruments

Derivative financial instruments

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

Cash flow hedges

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

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

1.8. Tangible fixed assets

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

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

Investment property is initally measured at cost and subsequently remeasured to its fair value at the end of each financial year. Any gains or losses are recorded in the profit and loss account. The investment property is not depreciated. In the consolidation, the property is not accounted for as an investment property as it is rented out to another group company and follows the cost model as for the other fixed assets.

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

Depreciation is charged to profit and loss on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.9. Intangible assets and goodwill

Goodwill

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

Research and development

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

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

Software

Software is measured at cost less any accumulated amortisation and any accumulated impairment losses.

Other intangible assets

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

Amortisation

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

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

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

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

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

Software is amortised on a straight-line basis to the profit and loss account over its useful economic life of between 2 to 5 years.

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.10. Stocks

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

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

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

1.11. Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

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

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

Non-financial assets

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

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.12. Employee benefits

Defined contribution plans

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

1.13. Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

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

1.14. Turnover

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

Sale of goods

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

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated
- with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

1.15. Government grant

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

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

1.16. Expenses

Operating lease

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

Finance lease

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.16. Expenses (continued)

Interest receivable, interest payable and other similar income and charges

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

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

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

1.17. Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference.

Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

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

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

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that 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.

1.18. Exceptional items

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.19 Prior year adjustment

A correction has made been made to align the accounting for the investment property held in the parent company's individual financial statements. Section 16 of FRS 102 requires such properties to be revalued to their fair value at each reporting date. This correction back dates a revaluation that should have been accounted for in the opening position at 1 January 2021.

The impact is an uplift in the investment property value by £3,950,000 and the resulting gain reflected in the opening profit and loss reserves of the 2021 comparative. A deferred tax liability has also been recognised on this gain at the rate prevailing at that time (19%) of £750,000. A correction has also been made to remove the depreciation of £321,000 recognised in the profit and loss account in the 2021 financial year. The overall impact to opening reserves at 1 January 2022 is an increase in reserves of £3,521,000.

Notes *(continued)*

2 Turnover

All continuing turnover originates from activity in the United Kingdom except for £12,543,000 turnover arising in Poland and India (*Year ended 31 December 2021: £8,288,000*). All turnover is attributable to the principal activity of the group.

An analysis of turnover by geographical destination is given below:

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
United Kingdom	**84,187**	56,853
Rest of Europe	**38,309**	30,507
Rest of World	**3,130**	4,553
	125,626	91,913

3 Staff numbers and costs

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

	Number of employees	
	Year ended 31 December 2022	Year ended 31 December 2021
Production	**986**	1,120
Administration	**446**	166
	1,432	1,286

The Company does not have any employees.

The aggregate payroll costs of these employees were as follows:

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Wages and salaries	**36,067**	29,085
Social security costs	**4,926**	3,376
Contributions to defined contribution plans (note 21)	**895**	815
	41,888	33,276

Notes *(continued)*

4 Directors' remuneration

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Directors' remuneration	619	567
Company contributions to money purchase pension plans	22	22

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

	Number of directors	
	Year ended 31 December 2022	Year ended 31 December 2021
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	3	3

5 Interest receivable and similar income

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Interest receivable from group undertakings	417	654
Other interest receivable	2	-
Total interest receivable and similar income	419	654

Notes *(continued)*

6 Interest payable and similar expenses

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Finance lease interest	**634**	564
Bank loans and invoice discounting facilities	**4,218**	2,743
Interest on shareholder loan	**-**	1,946
Interest payable to group undertakings	**2,562**	144
Other interest payable	**99**	160
Total other interest payable and similar charges	**7,513**	5,557

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

7 Loss before taxation

		Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
The loss before taxation is stated after charging / (crediting):			
Depreciation	- owned assets (note 10)	**4,244**	4,527
	- held under finance leases and hire purchase contracts (note 10)	**1,756**	1,739
Amortisation	- goodwill (note 9)	**17**	945
	- customer relationships (note 9)	**-**	2,525
	- other intangible fixed assets (note 9)	**972**	728
Loss on sale of intangible and tangible fixed assets		**-**	-
Fair value of foreign exchange contracts (gains) / losses		**(1,244)**	1,045
Foreign exchange losses / (gains)		**4,873**	(1,435)
Stock impairment losses / (gains) recognised in cost of sales (note 12)		**599**	(130)
Exceptional income		**-**	(162)
Exceptional costs		**3,000**	26,899
Operating lease rentals (note 24)		**2,653**	2,795
Other operating income - Research and Development Expenditure Credit		**306**	(306)
Other operating income - Government Grants (Coronavirus)		**-**	(436)
Other operating income - Merchandise Export Scheme		**(72)**	(472)
Other operating income – Profit on sale of intangible or tangible fixed assets		**(110)**	(224)
Other operating income - Sundry income		**122**	(54)

Notes *(continued)*

7 Loss before taxation *(continued)*

Exceptional charge / (credit):

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Provision and cost of reorganisation	**1,948**	2,029
Intangible asset impairment- Goodwill	**-**	22,447
Intangible asset impairment- Development costs	**-**	887
Cost of refinancing	**1,365**	-
Business interruption and recovery costs and inventory insurance losses arising from Tczew fire	**-**	1,523
Insurance proceeds	**(323)**	-
Release of surplus IT improvement provisions	**-**	(162)
Other sundry expenses	**10**	13
	3,000	26,737

In the current year the Group has incurred £1.4 million of costs relating to refinancing and liquidity support and £1.9 million of non-recurring costs relating to site closures, asset impairment and redundancy programme as part of the groupwide reorganisation action taken as a result of COVID-19. In the prior year the impairment costs relate to a reassessment of future profitability of contracts arising on the acquisition of Northern Aerospace in 2018 and a reassessment of the carrying value of development costs based on the future profitability and remaining life of the contracts. In the prior year a fire also caused substantial damage to the treatments plant at the Tczew facility meaning business interruption and inventory losses were incurred. The cost to Gardner were treated as exceptional due to the nature of the fire being a one-off event. Gardner was able to mitigate any disruption to the customer by transferring manufacturing elsewhere within the Group. The insurance claim for the loss of business and assets are ongoing at the year-end as are claims associated with a fire at the Consett facility in 2018. In the year Gardner received £0.3 million as a payment on account towards the claims associated with the Consett facility.

Auditor's remuneration:

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

Notes *(continued)*

8 Taxation

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

	Year ended 31 December 2022		Year ended 31 December 2021	
	£000	£000	£000	£000
Current tax				
Current tax on income for the year		-		-
Group relief payable		(113)		-
Adjustments in respect of prior periods		108		(777)
Foreign tax		-		156
Total current tax charge / (credit)		(5)		(621)
Deferred tax (note 19)				
Origination and reversal of timing differences	(8,633)		6,634	
Adjustments in respect of prior periods	2,052		(2,409)	
Unused tax losses	6,086		2,336	
Effect of changes in tax rate	335		(3,526)	
Total deferred tax (credit) / charge		(160)		3,035
Total tax charge		(165)		2,414

Reconciliation of effective tax rate

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Loss for the year	(23,238)	(40,500)
Total tax charge	(165)	2,414
Loss excluding taxation	(23,403)	(38,086)
Tax using the UK corporation tax rate of 19.00% *(Year ended 31 December 2021: 19.00%)*	(4,447)	(7,236)
Deferred tax balance rate differences	335	(3,526)
Non-deductible expenses and income not taxable	258	6,605
Deferred tax previously unrecognised	(4,456)	7,384
R&D expenditure credit	(101)	37
Unused tax losses	6,086	2,336
Adjustments for prior years	2,160	(3,186)
Total tax charge included in profit or loss	(165)	2,414

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

Notes *(continued)*

9 Intangible assets and goodwill

Group	Goodwill £000	Development costs £000	Software and other costs £000	Customer relationships £000	Total £000
Cost					
Balance at 1 January 2022	10,094	5,240	4,499	25,250	45,083
Additions	-	125	37	-	162
Disposals	-	-	-	-	-
Effect of movements in foreign exchange	-	-	30	-	30
Balance at 31 December 2022	**10,094**	**5,365**	**4,566**	**25,250**	**45,275**
Amortisation and impairment					
Balance at 1 January 2022	9,764	3,018	2,536	25,250	40,568
Amortisation for the year	17	343	629	-	989
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Effect of movements in foreign exchange	-	-	17	-	17
Balance at 31 December 2022	**9,781**	**3,361**	**3,182**	**25,250**	**41,574**
Net book value					
At 31 December 2022	**313**	**2,004**	**1,384**	**-**	**3,701**
At 31 December 2021	330	2,222	1,963	-	4,515

The net book value of development costs primarily relates to A320 and A350 work packages. Impairment reviews have been undertaken and no further impairment was required for 2022 *(31 December 2021: £0.9 million)*. This review considered the remaining period of the contract, future production forecasts and increasing costs.

Amortisation charge

The amortisation charge is recognised in the following line items in the profit and loss account:

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Administrative expenses	989	4,198
	989	4,198

Software pledged as security for loans held by the Group are detailed in note 17.

Notes *(continued)*

9 Intangible assets and goodwill *(continued)*

Company	**Software and other costs £000**
Cost	
Balance at 1 January 2022	3,630
Additions	53
Balance at 31 December 2022	**3,683**
Amortisation and impairment	
Balance at 1 January 2022	1,962
Amortisation for the year	540
Balance at 31 December 2022	**2,502**
Net book value	
At 31 December 2022	**1,181**
At 31 December 2021	1,668

Amortisation charge

The amortisation charge is recognised in the following line items in the profit and loss account:

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Administrative expenses	**540**	387

Software pledged as security for loans held by the Group are detailed in note 17.

Notes *(continued)*

10 Tangible fixed assets

Group

	Leasehold property £000	Freehold land and buildings £000	Plant and equipment £000	Total £000
Cost or Valuation				
Balance at 1 January 2022	5,762	9,710	82,917	98,389
Additions	63	282	5,082	5,427
Disposals	-	-	(2,046)	(2,046)
Effect of movements in foreign exchange	(50)	88	1,196	1,234
Balance at 31 December 2022	**5,775**	**10,080**	**87,149**	**103,004**
Depreciation and impairment				
Balance at 1 January 2022	3,715	3,481	41,863	49,059
Depreciation charge for the year	369	296	5,335	6,000
Disposals	-	-	(2,046)	(2,046)
Effect of movements in foreign exchange	16	4	372	392
Balance at 31 December 2022	**4,100**	**3,781**	**45,524**	**53,405**
Net book value				
At 31 December 2022	**1,675**	**6,299**	**41,625**	**49,599**
At 31 December 2021	2,047	6,229	41,054	49,330

The carrying amount at 31 December 2022 of the investment property rented to another group entity and accounted for using the cost model was £10,219,000 *(31 December 2021. £10,100,000)*.

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

Assets pledged as security for loans held by the Group are detailed in note 17.

The net book value of the leasehold property is split between £135,000 *(31 December 2021: £106,000)* under short leasehold and £1,540,000 *(31 December 2021: £1,941,000)* under long leasehold.

Leased plant and machinery

At the year end the net carrying amount of plant and machinery leased under a finance lease was £18,067,000 *(31 December 2021: £15,707,000)*, and the depreciation charged during the year in respect of these assets was £1,756,000 *(Year ended 31 December 2021: £1,739,000)*. The leased equipment secures lease obligations (note 16).

Notes *(continued)*

10 Tangible fixed assets *(continued)*

Company

	Investment property £000	Plant and equipment £000	Total £000
Cost or Valuation			
Balance at 1 January 2022 as previously stated	9,220	1,905	11,125
Prior year adjustment – revaluation	880	287	1,167
Balance at 1 January 2022 - as restated	10,100	2,192	12,292
Additions - internally acquired	73	(73)	-
Additions - externally acquired	46	11	57
Disposals			
Balance at 31 December 2022	**10,219**	**2,130**	**12,349**
Depreciation and impairment			
Balance at 1 January 2022 as previously stated	3,391	1,280	4,671
Prior year adjustment – revaluation	(3,391)	287	(3,104)
Balance at 1 January 2022 - as restated	-	1,567	1,567
Depreciation charge for the year	-	173	173
Balance at 31 December 2022	-	**1,740**	**1,740**
Net book value			
At 31 December 2022	**10,219**	**390**	**10,609**
At 31 December 2021 (as restated)	10,100	625	10,725

The investment property has been valued on 12 September 2023. The Company utilised Musson Liggins who are an independent advisor. For the purpose of the prior year adjustment, the directors have concluded that the vacant possession value from the report of the independent valuer as at 12 September 2023, would not have been materially different to if an independent valuation were to have been performed at 31 December 2020.

Assets pledged as security for loans held by the Group are detailed in note 17.

Prior year investment property restated due to revaluation. See note 1 for more details.

Leased plant and machinery

At the year end the net carrying amount of plant and machinery leased under a finance lease was £Nil *(31 December 2021: £Nil)*, and the depreciation charged during the year in respect of these assets was £Nil *(Year ended 31 December 2021: £23,000)*. The leased equipment secures lease obligations (note 16).

Notes *(continued)*

11 Fixed asset investments

Principal Group investments

The Company has investments in the following subsidiary undertakings:

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

Note	Country of Incorporation	Registered Office
a	England and Wales	Unit 9 Victory Park, Victory Road, Derby, England, DE24 8ZF
b	Poland	UL. Skarszewska 21, Tczew 83-110, Poland
c	Poland	COP-U Str. 7, Mielec 39-300, Poland
d	Poland	UL. Witolda Thieme, nr 11, lok. 39-460 Nowa Deba, Poland
e	India	Plot no.25 (New Municipal No.5), 3rd Main Road, Phase 1, Peenya Industrial Area, Bengaluru - 560058

All subsidiary undertakings have a year end of 31 December apart from Gardner Aerospace Bengaluru Private Limited where the year end is 31 March.

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

The subsidiaries incorporated in England and Wales have taken the exemption in section 479A of the Companies Act 2006 (the "Act") from the requirement in the Act for their individual accounts to be audited. The guarantee given by the Company under Section 479A of the Act is disclosed in Note 25. All subsidiaries are included in the consolidation.

Notes *(continued)*

11 Fixed asset investments *(continued)*

Company

	Investments in subsidiaries £000
Cost	
Balance at 1 January and 31 December 2022	**83,589**
Addition	1,912
Balance at 31 December 2022	**85,501**
Depreciation and impairment	
Balance at 1 January 2022	27,677
Impairment	-
Balance at 31 December 2022	**27,677**
Net book value	
At 31 December 2022	**57,824**
At 31 December 2021	55,912

The company has invested a further £1,912,000 (*31 December 2021: £Nil*) in its subsidiary Gardner Aerospace – Tczew Spólka z.o.o.during 2022.

Notes *(continued)*

12 Stocks

	Group	
	31 December 2022	31 December 2021
	£000	£000
Raw materials and consumables	**8,791**	5,071
Work in progress	**15,466**	10,155
Finished goods	**6,130**	5,685
	30,387	20,911

The write-down of stocks to net realisable value amounted to £613,000 *(Year ended 31 December 2021: £638,000)*. The reversal of write-downs amounted to £14,000 *(Year ended 31 December 2021: £768,000)*. The write-down and reversal are included in cost of sales.

Stocks pledged as security for loans held by the Group are detailed in note 17.

13 Debtors

	Group		Company	
	31 December 2022	31 December 2021	**31 December 2022**	31 December 2021 Restated
	£000	£000	**£000**	£000
Trade debtors	**17,038**	22,387	**-**	-
Amounts owed by group undertakings	**23,585**	18,792	**47,721**	52,661
Deferred tax assets (note 19)	**6,006**	5,960	**(171)**	(733)
Taxation	**-**	1,010	**(108)**	-
Taxation and social security	**1,042**	-	**-**	-
Invoice discounting facility	**102**	-	**-**	-
Prepayments and accrued income	**3,780**	6,151	**515**	871
	51,553	54,300	**47,957**	52,799
Due within one year	**30,050**	31,759	**18,778**	26,555
Due after more than one year	**21,503**	22,541	**29,179**	26,244
	51,553	54,300	**47,957**	52,799

The amounts owed by group undertakings are unsecured and repayable on demand.

Trade debtors are stated after a provision for impairment of £3,984,000 *(Year ended 31 December 2021: £3,018,000)*, impairment losses regarding trade debtors totalling £83,000 *(Year ended 31 December 2021: £24,000)* were recognised in the profit and loss.

Deferred tax assets is restated at year end of 31 December 2021 due to recognition of deferred tax liability of the investment property revaluation gain. See notes 1 for further details.

Debtors pledged as security for loans held by the Group are detailed in note 17.

Notes *(continued)*

14 Creditors: amounts falling due within one year

	Group		Company	
	31 December 2022 £000	31 December 2021 £000	**31 December 2022 £000**	31 December 2021 £000
Bank overdrafts (note 16)	**-**	-	**-**	-
Bank loans (note 16)	**30,854**	5,745	**28,064**	4,101
Other loans (note 16)	**209**	-	**209**	-
Invoice discounting facility (note 16)	**12,789**	14,331	**-**	-
Prepaid facility costs (note 16)	**(70)**	(1,160)	**(70)**	(1,160)
Obligations under finance leases (note 16)	**3,512**	3,108	**-**	-
Trade creditors	**18,528**	13,469	**2,197**	1,216
Amounts owed to group undertakings	**35,082**	32,346	**64,883**	74,916
Corporation tax	**-**	-	**-**	-
Taxation and social security	**5,281**	5,031	**893**	974
Other creditors	**3,932**	1,247	**130**	69
Accruals and deferred income	**5,877**	5,678	**2,347**	1,866
Derivative financial instruments (note 18)	**4,568**	1,681	**4,568**	1,681
	120,562	81,476	**103,221**	83,663

The amounts owed to group undertakings are unsecured, and repayable on demand.

15 Creditors: amounts falling after more than one year

	Group		Company	
	31 December 2022 £000	31 December 2021 £000	**31 December 2022 £000**	31 December 2021 £000
Bank loans (note 16)	**587**	31,037	**-**	28,197
Other loans (note 16)	**21**	-	**21**	-
Prepaid facility costs (note 16)	**-**	(870)	**-**	(870)
Obligations under finance leases (note 16)	**6,272**	6,511	**-**	-
Taxation & social security	**10**	1,926	**-**	486
Shareholder Loan	**22,999**	-	**22,999**	-
Amounts owed to group undertakings	**35,218**	35,219	**35,218**	35,218
	65,107	73,823	**58,238**	63,031
Due between one and five years	**65,107**	73,823	**58,238**	63,031

The amounts owed to group undertakings are unsecured, and repayable on demand.

During 2022 the Directors welcomed the sustained support of the Ultimate Parent Company who provided Gardner with £23.0 million (*Year ended 31 December 2021: £8.0 million*) working capital funding to support the Group during the Coronavirus Pandemic. During 2023 a further £18.0 million funding was provided.

Notes *(continued)*

16 Interest-bearing loans and borrowings

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

	Group		Company	
	31 December 2022 £000	31 December 2021 £000	31 December 2022 £000	31 December 2021 £000
Creditors falling due after more than one year				
Secured bank loans	587	31,037	-	28,197
Other loans	21	-	21	
Prepaid facility costs	-	(870)	-	(870)
Obligations under finance leases	6,272	6,511	-	-
	6,880	36,678	21	27,327

	Group		Company	
	31 December 2022 £000	31 December 2021 £000	31 December 2022 £000	31 December 2021 £000
Creditors falling due in less than one year				
Secured bank loans	30,854	5,745	28,064	4,101
Other loans	209	-	209	-
Invoice discounting facility	12,789	14,331	-	-
Prepaid facility costs	(70)	(1,160)	(70)	(1,160)
Obligations under finance leases	3,512	3,108	-	-
	47,294	22,024	28,203	2,941

Bank loan terms and debt repayment schedule

Group	Currency	Nominal interest Rate	Year of maturity	Repayment schedule	31 December 2022 £000	31 December 2021 £000
Term Loan (CLBILS)	Sterling	SONIA + 3.61%	2023	Quarterly	12,672	15,000
Term Loan	Sterling	SONIA + 2.25% -3.75%	2023	Quarterly	10,139	11,321
Term Loan	US Dollars	SOFR + 2.25% -3.75%	2023	Quarterly	1,388	1,365
Plant Loan	Sterling	SONIA + 2.00%	2023	Monthly	2,257	3,257
Property Loan	Sterling	SONIA + 2.00%	2023	Monthly	3,670	3,973
Term Loan	Zloty	2.2%	2022	Quarterly	187	745
Plant Loan	Rupee	REPO + 3.6%	2025	Quarterly	1,128	1,121
Shareholder Loan	Sterling	7%	N/A	On Maturity	22,999	-
					54,440	36,782

The Group's bank borrowing facilities arranged during 2020 to support the ongoing working capital position of the Group impacted by COVID-19 have started to be repaid in line with agreed capital repayment and interest amortisation terms. This includes £15.0 million of fully-drawn UK government backed CLBILS which has been fully repaid by two balloon payments in September and December 2023.

Notes *(continued)*

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

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

Additional loans of PLN 5 million in Gardner Tczew and INR 120 million in term loan and INR 30 million undrawn working capital loan in Gardner Bengaluru were agreed during 2020 and are secured by the business's assets.

During 2022 the Directors welcomed the sustained support of its Ultimate parent Company Ligeance Aerospace Technology Co. Limited ("LAT") who via its subsidiaries and Gardner Aerospace Holdings Limited provided the Company with £22.5 million *(31 December 2021: £8.0 million)* of working capital funding during the Coronavirus Pandemic. During 2023 further funding of £48.6 million has been provided by LAT subsidiaries Ligeance Investments Limited and Gardner Aerospace Technology Limited to the Company and its subsidiaries.

Company	Currency	Nominal interest Rate	Year of maturity	Repayment schedule	31 December 2022 £000	31 December 2021 £000
Term Loan (CLBILS)	Sterling	SONIA + 3.61%	2023	Quarterly	12,672	15,000
Term Loan	Sterling	SONIA + 2.25% -3.75%	2023	Quarterly	10,139	11,321
Term Loan	US Dollars	SOFR + 2.25% -3.75%	2023	Quarterly	1,388	1,365
Plant Loan	Sterling	SONIA + 2.00%	2023	Monthly	832	1,329
Property Loan	Sterling	SONIA + 2.00%	2023	Monthly	3,033	3,283
					28,064	32,298

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Group		Company	
	31 December 2022 £000	31 December 2021 £000	31 December 2022 £000	31 December 2021 £000
Less than one year	3,512	3,108	-	-
Between one and five years	6,272	6,511	-	-
	9,784	9,619	-	-

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

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

Notes *(continued)*

17 Secured assets

	Group		Company	
	31 December 2022 £000	31 December 2021 £000	**31 December 2022 £000**	31 December 2021 Restated £000
Software (note 9)	**1,384**	1,941	**1,181**	1,668
Tangible fixed assets (note 10)	**49,599**	46,478	**10,609**	10,725
Stock (note 12)	**30,387**	19,161	**-**	-
Trade debtors (note 13)	**17,038**	22,084	**-**	-
Prepayments and accrued income (note 13)	**3,780**	4,205	**515**	871
Cash	**3,407**	2,761	**1,159**	-
	105,595	96,630	**13,464**	13,264

The assets are secured through a fixed and floating charge on the assets of Group companies obligated as guarantors.

18 Derivative financial instruments

	Group		Company	
	31 December 2022 £000	31 December 2021 £000	**31 December 2022 £000**	31 December 2021 £000
Amounts falling due within one year				
Financial assets / (liabilities) held for trading (including derivatives)	**(4,568)**	(1,681)	**(4,568)**	(1,681)

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

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

Notes *(continued)*

19 Deferred tax assets and liabilities

The movement in deferred tax assets / (liabilities) is set out below:

	Group £000	Company £000
At 1 January 2022	5,960	17
Credit /(charge) to profit and loss account	160	(212)
Foreign exchange effects recognised in other comprehensive income	(114)	-
At 31 December 2022	**6,006**	**(195)**

Deferred tax assets and liabilities are attributable to the following:

Group	**Assets**		**Liabilities**		**Net**	
	31 December 2022 £000	31 December 2021 £000	**31 December 2022 £000**	31 December 2021 £000	**31 December 2022 £000**	31 December 2021 £000
Accelerated capital allowances	**773**	1,489	**(548)**	(15)	**225**	1,474
Unused tax losses	**6,203**	11,572	**(428)**	(3,466)	**5,775**	8,106
Other	**6**	8	**-**	-	**6**	8
Acquired intangible fixed assets	**-**	-	**-**	(3,628)	**-**	(3,628)
Tax assets / (liabilities)	**6,982**	13,069	**(976)**	(7,109)	**6,006**	5,960

Company	**Assets**		**Liabilities**		**Net**	
	31 December 2022 £000	31 December 2021 £000	**31 December 2022 £000**	31 December 2021 Restated £000	**31 December 2022 £000**	31 December 2021 £000
Accelerated capital allowances	**-**	17	**(54)**	-	**(54)**	17
Property Revaluation	**-**		**(750)**	(750)	**(750)**	(750)
Unused tax losses	**633**	-	**-**	-	**633**	-
Tax assets / (liabilities)	**633**	17	**(804)**	(750)	**(171)**	(733)

In addition to the deferred tax asset above, the Group has additional unrecognised net corporation tax losses of £12,089,000 *(31 December 2021: £13,692,000)* and capital losses of Nil *(31 December 2021: £280,000)*.

Notes *(continued)*

20 Provisions for liabilities

Group	Onerous Contracts £000	Property £000	Restructuring £000	Other £000	Total £000
Balance at 1 January 2022	346	500	36	100	982
Provisions charged as exceptional during the year	-	-	755	1,193	1,948
Provisions charged as non-exceptional during the year	-	-	-	358	358
Provision released during the year	-	(196)	-	-	(196)
Provisions used during the year	(346)	(304)	(36)	-	(686)
Balance at 31 December 2022	-	-	**755**	**1,651**	**2,406**

Restructuring provisions continue during 2022 primarily in relation to the restructure of the Group in response to COVID-19 and its future growth strategy. Other provisions include supplier claims and customer claims due to supply chain disruption.

Provisions are estimated to be used during 2023.

The Company had no provisions *(Year ended 31 December 2021: £Nil)*

21 Employee benefits

The Group has made payments in the year totalling £895,000 *(Year ended 31 December 2021: £815,000)* to defined contribution pension schemes, 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 2022 there were £203,000 *(Year ended 31 December 2021: £117,000)* of unpaid pension contributions.

22 Financial instruments

Carrying amount of financial assets and liabilities

The carrying amounts of the financial assets and liabilities include:

Group	31 December 2022 £000	31 December 2021 £000
Financial assets:		
Derivative instruments measured at fair value through profit or loss	-	-
Measured at amortised cost	40,623	41,179
Financial liabilities:		
Derivative instruments measured at fair value through profit or loss	(4,568)	(1,681)
Measured at amortised cost	140,616	146,659

Notes *(continued)*

23 Share capital

	31 December 2022 £000	31 December 2021 £000
Issued, called-up and fully paid:		
10,001 Ordinary shares of 10 pence each *(31 December 2021: 10,001)*	1	1

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

24 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	31 December 2022 £000	31 December 2021 Restated £000	31 December 2022 £000	31 December 2021 £000
Less than one year	2,343	2,288	119	109
Between one and five years	7,249	8,075	102	137
More than five years	1,680	1,478	-	-
	11,272	11,841	221	246

During the year £2,653,000 was recognised as an expense in the profit and loss account in respect of operating leases *(Year ended 31 December 2021: £2,795,000)*. The amount in 2021 has been restated as it includes annual reoccurring operating lease liability for future years incorrectly.

25 Commitments

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

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

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

Notes *(continued)*

26 Related parties

Group

Identity of related parties with which the Group has transacted

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

Transactions with key management personnel

Key management personnel are the directors. Total compensation of key management personnel in the year amounted to £641,000 *(31 December 2021: £590,000)*.

	Administrative expenses incurred from	
	Year ended 31 December 2022 £000	**Year ended 31 December 2021 £000**
Key management personnel of the Company and its Group	641	590
	641	590

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

27 Ultimate parent company and parent company of larger group

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

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

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

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

Notes *(continued)*

28 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.

Development costs: Development costs on major new programmes, where the outcome of these programmes is assessed as being reasonably certain, where they are capable of production and where their duration is expected to be substantial, are capitalised and amortised over their useful economic life.

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.

29 Post balance sheet events

On 9 October 2023 the LAT shareholder assembly confirmed an LAT board resolution to invest £80 million into Gardner's equity. This is part of an Offshore Direct Investment proposal that was approved by Chinese regulators in December 2023. These funds can be used to repay shareholder and external loans and rebuilds a positive net asset position for the Group. NatWest term loan has been repaid on 17 December 2023.

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

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