Gardner BTC Limited

Annual report and financial statements

Registered number 07485948

Year ended 31 December 2022

Contents

Officers and professional advisors

Directors	P Visotschnig (Appointed 14 September 2022)
Registered office	Unit 9, Victory Park Victory Road Derby DE24 8ZF
Registered number	07485948
Bankers	National Westminster Bank 1 Princes Street London EC2R 8BP
Solicitors	BHW Solicitors 5 Grove Court Grove Park Enderby Leicestershire LE19 1SA

Strategic report

Background

The Company is a subsidiary of 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"), one of Europe's 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.

The Company is a leading supplier of tooling and technical and development services focusing on aerofoil geometry. Its core competency is in complex tooling projects for the aerospace and industrial gas turbine (IGT) engines sectors, requiring exceptional engineering and design expertise. It works collaboratively with customers to design bespoke solutions with close tolerance and has full ISO9001 and ISO9100 Rev C approvals for aerospace manufacture.

Future Outlook

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

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

The key strategic aims remain: -

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

Focus on sustainability in all areas of the operation.

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

Strategic report *(continued)*

Planning for Growth and further Capability

Since the end of 2020 new orders have been flat with no new designs coming to market. However, discussions with customers indicate projects remain live, but with timeline delays.

Given aerospace market headwinds in recent years, the Company has focused on winning work in new markets including healthcare and automotive.

Further tailwinds from Net Zero targets make newer more energy efficient engine designs highly likely (Rolls Royce and GE both have engines in development). New engine designs will require new tooling projects and the Company as a leading player are well placed to benefit.

Current market environment has been challenging across the tooling industry. At least one competitor has ceased trading opening up additional volume potential for the Company.

The Company has maintained its long-standing customer relationships with 95% of its current year sales coming from existing customers. Combined with market sector diversification the Company's customer growth strategy includes support for the wider Gardner Group's tooling requirements.

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
Annual Sales Growth %	-26.8%	-45.7%	1.0%
Gross Margin % sales	-8.3%	10.9%	27.9%
Profit before Tax % on sales	-27.5%	2.9%	28.5%
£000's EBITDA pre-exceptional items	-820	149	1,659
Current Liquidity	3.14	3.62	3.50

In 2022, the Company has seen on-going modifications to its orderbook and increasing costs, with recovery in tooling for the aerospace and IGT Investment Casting industry continuing to be delayed and turnover decreasing by 27% to £2.1 million. Resulting in a gross loss of £0.2m in the year.

EBITDA pre-exceptional costs on continuing activities (Earnings before interest, tax, depreciation, amortisation and investment income) reduced from £0.1 million to loss of £0.8 million for the year.

Sales for the year reduced by 26.8% to £2.1 million *(Year ended 31 December 2021: £2.9 million)*. Gross profit decreased by £0.5 million to £0.2 million loss *(Year ended 31 December 2021: £0.3 million)*. The operating loss of £0.9 million for the year is £1.0 million less than the £0.1 million operating profit in the previous year. This includes £0.3 million of reduction of prior year RDEC receivables. Net finance charges remain low year on year.

Net current assets are down at £2.3 million *(31 December 2021: £3.2 million)* and total assets reduced to £3.8 million *(31 December 2021: £5.0 million)* mainly due to reduced debtors. Net debt was an asset £0.5 million at the year-end *(31 December 2021: £0.5 million liability)*. Shareholders' funds decreased from £3.5 million to £2.7 million.

Strategic report *(continued)*

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.

Financial Risk Management

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

Interest Rate Risk

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

Currency Risk

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

Liquidity Risk

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

Credit Risk

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

Strategic report *(continued)*

Going Concern

The directors' assumption on going concern are set out in note 1 of the accounts. Having considered the basis of preparation of Gardner BTC 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.

Parent Company Support

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

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

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

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

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

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

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

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

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

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

Strategic report *(continued)*

Research and Development

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

Environmental Policy

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

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

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

Engagement with suppliers, customers, and others in business relationship

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

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

Strategic report *(continued)*

Employees

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

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

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

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

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

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

P Visotschnig
Director
Date: 22 December 2023

Directors' report

The directors present their report together with the financial statements for the year ended 31 December 2022.

Results and dividends

The principal activity of the Company is the provision of products and manufacturing services to the aerospace and industrial gas turbine industries.

The loss for the year after taxation amounted to £791,000 *(Year to 31 December 2021 profit: £239,000).* The directors do not recommend the payment of a dividend for the year, *(Year ended 31 December 2021: £nil)* resulting in an amount of £791,000 being withdrawn from reserves *(Year ended 31 December 2021: £239,000)* to be transferred to reserves.

Section 172 Companies Act 2006

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

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

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

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

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

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

As a Group we are focused on environmental standards as laid out in the environmental policy on page 6 and are committed to fairness, equality and the health and wellbeing of our employees as laid out on page 7.

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

Directors' report *(continued)*

Directors

The directors of the Company during the financial year and subsequently were as follows:

P Visotschnig	(Appointed 14 September 2022)
DO Cartwright	(Resigned 2 July 2021)
AJ Upton	(Resigned 26 September 2022)

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

Political contributions

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

Audit Exemption

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

Strategic matters

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

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

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

P Visotschnig
Director

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 period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

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

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

Profit and loss account

For the year ended 31 December 2022

	Note	**Year ended 31 December 2022 £000**	Year ended 31 December 2021 £000
Turnover	2	**2,124**	2,902
Cost of sales		**(2,301)**	(2,586)
Gross (loss) / profit		**(177)**	316
Administrative expenses		**(530)**	(476)
Exceptional items	*3*	**-**	(25)
Other (costs) / income	*3*	**(178)**	279
Operating (loss) / profit		**(885)**	94
Interest payable and similar expenses	*6*	**(22)**	(11)
(Loss) / Profit before taxation	*3*	**(907)**	83
Taxation	*7*	**116**	156
(Loss) / Profit for the financial year		**(791)**	239

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

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

Balance sheet
at 31 December 2022

	Note	**31 December 2022**		31 December 2021	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	_8_		**436**		486
Current assets					
Stocks	_9_	**79**		89	
Debtors (including £398,000 _(2021: £282,000)_ due after more than one year)	_10_	**3,074**		4,360	
Cash at bank and in hand		**180**		37	
		3,333		4,486	
Creditors: amounts falling due within one year	_11_	**(1,063)**		(1,239)	
Net current assets			**2,270**		3,247
Total assets less current liabilities			**2,706**		3,733
Creditors: amounts falling due after more than one year	_12_		**(41)**		(277)
Net assets			**2,665**		3,456
Capital and reserves					
Called up share capital	_16_		**-**		-
Profit and loss account			**2,665**		3,456
Shareholder's funds			**2,665**		3,456

Subsidiary Audit Exemption

For the financial year ended 31 December 2022 the Company was entitled to exemption under section 479a of the Companies Act 2006. No members have required the Company to obtain an audit of its financial statements for the year in accordance with section 476 of the Companies Act 2006.

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

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

P Visotschnig
Director

Company registered number: 07485948

Statement of changes in equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2021	-	3,217	3,217
Total comprehensive income for the year			
Profit for the year	-	239	239
Balance at 31 December 2021	-	3,456	3,456

	Called up share capital £000	**Profit and loss account £000**	**Total equity £000**
Balance at 1 January 2022	-	3,456	3,456
Total comprehensive income for the year			
Loss for the year	-	(791)	(791)
Balance at 31 December 2022	**-**	**2,665**	**2,665**

Notes
(forming part of the financial statements)

1 Accounting policies

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

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

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

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

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

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 22.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis.

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)*

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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2. Going concern (continued)

Shareholder Support

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

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

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

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

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

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

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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2. Going concern (continued)

Conclusions

Having considered the basis of preparation of Gardner BTC 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.

1.3. Foreign currency

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

1.4. Classification of financial instruments issued by the Company

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

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

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

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

1.5. Basic financial instruments

Trade and other debtors / creditors

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

Interest-bearing borrowings classified as basic financial instruments

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.6. Tangible fixed assets

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

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.11 below.

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

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

Short leasehold property	Straight line over the period of the lease
Plant, fixtures and equipment	5 to 10 years

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

1.7. Stocks

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

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

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

1.8. Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

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

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "CGU", "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

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

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

1.9. Employee benefits

Defined contribution plans

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

1.10. Turnover

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

1.11. Government grants

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

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

1.12. Expenses

Operating lease

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

Interest payable

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.13. Taxation

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

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

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

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

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

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

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

1.14. Exceptional items

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

Notes *(continued)*

2 Turnover

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

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
United Kingdom	**656**	314
Europe	**843**	1,046
Other	**625**	1,542
	2,124	2,902

3 Loss / profit before taxation

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
The loss / profit before taxation is stated after charging/(crediting):		
Depreciation of owned assets (note 8)	**49**	24
Depreciation of leased assets (note 8)	**16**	8
Foreign exchange gains	**(2)**	(42)
Operating lease rentals (note 17)	**113**	123
Exceptional costs	**-**	25
Other operating income – Research and Development Expenditure Credit	**178**	(144)
Other operating income – Government Grants (Coronavirus)	**-**	(135)

Exceptional costs:
The non-recurring costs incurred and recognised in the year totalling £Nil (*Year ended 31 December 2021:* £25,000) are in relation to the provision and cost of redundancy programmes forming part of the groupwide reorganisation action taken as a result of COVID-19 as described in the strategic report.

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

Notes *(continued)*

4 Staff numbers and costs

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

	Number of employees	
	Year ended 31 December 2022	Year ended 31 December 2021
Production	**28**	32
Administration	**3**	3
	31	35

The aggregate payroll costs of these employees were as follows:

	Year ended 31 December 2022 £000	Year ended 31 December 20211 £000
Wages and salaries	**1,491**	1,565
Social security costs	**159**	166
Contributions to defined contribution plans (note 15)	**44**	43
	1,694	1,774

5 Directors' remuneration

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

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Directors' remuneration	**443**	567
Company contributions to money purchase pension plans	**16**	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	**2**	3

Notes *(continued)*

7 **Taxation** (continued)

Reconciliation of effective tax rate

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Profit for the year	**(791)**	239
Total tax credit	**(116)**	(156)
Profit excluding taxation	**(907)**	83
Tax using the UK corporation tax rate 19.00 % *(Year ended 31 December 2021: 19.00 %)*	**(172)**	16
R&D expenditure credits	**-**	-
Permanent differences	**1**	(10)
Adjustment to tax charge in respect of prior periods	**38**	45
Difference between DT rate and CT rate	**17**	-
Deferred tax not recognised previously	**-**	(181)
Deferred tax rate balance differences	**-**	(26)
Total tax credit included in profit or loss	**(116)**	(156)

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)*

8 Tangible fixed assets

	Short leasehold land and buildings £000	Plant and machinery £000	Total £000
Cost			
Balance at 1 January 2022	219	2,532	2,751
Additions – including Group	-	15	15
Balance at 31 December 2022	219	2,547	2,766
Depreciation			
Balance at 1 January 2022	217	2,048	2,265
Depreciation charge for the year	1	64	65
Additions – including Group	-	-	-
Balance at 31 December 2022	218	2,112	2,330
Net book value			
At 31 December 2022	**1**	**435**	**436**
At 31 December 2021	2	484	486

Leased plant and machinery

At the year end the net carrying amount of plant and machinery leased under a finance lease was £131,000 *(Year ended 31 December 2021: £146,000)*, and the depreciation charged during the year in respect of these assets was £16,000 *(Year ended 31 December 2021: £8,000)*. The leased equipment secures lease obligations (note 13).

Security

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

9 Stocks

	31 December 2022 £000	31 December 2021 £000
Work in progress	**79**	89

There were no stock provision movements in the year *(Year ended 31 December 2021: £Nil)*. Provisions are prudently assessed based on the age of items and the forward order book.

Stocks are pledged as security for liabilities under invoice discounting facilities (note 13).

Notes *(continued)*

10 Debtors

	31 December 2022 £000	31 December 2021 £000
Trade debtors	**541**	603
Invoice discounting facilities	**443**	-
Amounts owed by group undertakings	**1,545**	2,904
Taxation & social security	**20**	-
Deferred tax assets (note 14)	**398**	282
Prepayments and accrued income	**115**	299
Corporation tax	**12**	272
	3,074	4,360
Due within one year	**2,676**	4,078
Due after more than more than one year	**398**	282
	3,074	4,360

Trade debtors are pledged as security for liabilities under invoice discounting facilities (note 13).

11 Creditors: amounts falling due within one year

	31 December 2022 £000	31 December 2021 £000
Invoice discounting facilities (note 13)	-	432
Trade creditors	**130**	87
Amounts owed to group undertakings	**415**	421
Finance Leases	**49**	49
Taxation and social security	**229**	145
Other creditors	**60**	8
Accruals and deferred income	**180**	97
	1,063	1,239

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

12 Creditors: amounts falling after more than one year

	31 December 2022 £000	31 December 2021 £000
Taxation and social security	-	187
Finance Leases	**41**	90
	41	277

Taxation and social security relate to a PAYE Time to Pay arrangement agreed with HMRC.

Notes *(continued)*

13 Interest-bearing loans and borrowings

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

	31 December 2022	31 December 2021
	£000	£000
Creditors falling due after more than one year		
Finance lease liabilities	**41**	90
Amounts falling due within less than one year		
Invoice discounting facility	**-**	432
Finance lease liabilities	**49**	49
	90	571

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

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 31 December 2022	Minimum lease payments 31 December 2021
	£000	£000
Less than one year	**49**	49
Between one and five years	**41**	90
After more than five years	**-**	-
	90	139

The nominal interest rate on the finance leases ranges from 2% to 7% above LIBOR. During the year the Company entered a finance lease arrangement in respect of assets with a total capital value at the inception of the lease of £Nil (*Year ended 31 December 2021: £174,000*).

Notes *(continued)*

14 Deferred tax assets

	31 December 2022	31 December 2021
	£000	£000
At beginning of year	**282**	92
Credited during the year	**116**	190
At end of year	**398**	282

Deferred tax comprises:

	Recognised	
	31 December 2022	31 December 2021
	£000	£000
Accelerated capital allowances	**206**	244
Other timing differences	**-**	-
Tax Losses Carried forward and other deductions	**192**	38
	398	282

The Company has £191,000 of unrecognised deferred tax losses for the year *(Year ended 31 December 2021: £Nil)*.

15 Employee benefits

The Company has made payments in the year totalling £44,000 *(Year to 31 December 2021: £43,000)* to a defined contribution pension scheme, the net assets of which are held in an independently administered fund. The pension cost charge represents the total contributions payable to the fund. At 31 December 2022 there were £5,000 *(31 December 2021: £8,000)* of unpaid pension contributions.

16 Capital and reserves

Share capital

	31 December 2022	31 December 2021
	£	£
Allotted, called up and fully paid		
1 ordinary shares of £1 each	**1**	1
Shares classified in shareholders' funds	**1**	1

Notes *(continued)*

17 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	31 December 2022	31 December 2021
	£000	£000
Less than one year	**95**	-
Between one and five years	-	-
	95	-

During the year £113,000 was recognised as an expense in the profit and loss account in respect of operating leases *(Year to 31 December 2021: £123,000).*

18 Commitments

Capital commitments

The Company contractual commitments to purchase tangible fixed assets at the year end were £Nil *(31 December 2021: £Nil).*

19 Contingencies

At 31 December 2022 there was a guarantee and set off agreement between Group undertakings and the National Westminster Bank. The total indebtedness of the Group at 31 December 2022 amounted to £Nil *(31 December 2021: £Nil).* In addition, National Westminster Bank has issued a customs comprehensive guarantee for £2,550 *(31 December 2021: £2,550).*

20 Related parties

Identity of related parties with which the Company has transacted

As the Company was a wholly owned subsidiary of Gardner Group Limited, who in turn are a wholly owned subsidiary of Gardner Aerospace Holdings Limited at 31 December 2022, the Company has taken advantage of the exemption contained in FRS102.33.1A and has therefore not disclosed transactions or balances with wholly owned entities which form part of the Group headed by Gardner Aerospace Holdings Limited.

Notes *(continued)*

21 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 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.

22 Accounting estimates and judgements

Key sources of estimation uncertainty

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

Deferred tax asset: The utilisation of tax losses and reversals of accelerated capital allowances are based on management forecasts.

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

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

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

23 Post balance sheet events

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