Registered number: 03459428

Lufthansa Technik Landing Gear Services UK Limited

Annual report and financial statements
for the year ended 31 December 2022

Lufthansa Technik Landing Gear Services UK Limited

Company information

Directors	Georg Fanta Christian Rodarius Klaus Wachholz
Company secretary	Olaf Behn
Registered number	03459428
Registered office	Unit 3 Dawley Park Kestrel Way Hayes Middlesex UB3 1HP
Independent auditors	Ernst & Young LLP 1 More London Place London SE1 2AF
Bankers	Citibank NA 336 Strand London WC2R 1HB
Solicitors	Wilmerhale Alder Castle 10 Noble Street London EC2V 7QJ

Lufthansa Technik Landing Gear Services UK Limited

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Lufthansa Technik Landing Gear Services UK Limited

Strategic report
for the year ended 31 December 2022

The directors present their Strategic report of the company for the year ended 31 December 2022.

Business review

Lufthansa Technik Landing Gear Services UK Limited's (the company) principal activities during the year were the repair and overhaul of landing gear and wheels. The company has no overseas branches.

The company experienced an increase in turnover from £37,467,000 to £41,505,000 compared to the previous year. This improvement was mainly due to asset solution deals which involve the buying and selling of landing gears that are surplus to requirements.

The loss for the financial year, after taxation, amounted to £5,035,000 (2021: £7,000 loss). The increase in losses was due primarily to deteriorating labour efficiency as a result of the replacement and training of employees in key positions that left the company following COVID 19 which meant that it therefore took longer than expected to complete the overhaul of gears. Additionally the company suffered higher material costs due to worldwide increase in inflation.

Additionally, during the year, we provided a further £1,100,000 for bad debts relating to customers that were affected by the war in Ukraine. This increased the existing provision which was set up during 2021 to a total of £2,300,000 as at 31 December 2022 and we do not anticipate any further increase as all potential exposure has been covered.

The company had net liabilities of £22,833,000 (2021: £17,904,000 liabilities) at the year-end. The increase in liabilities is primarily driven by an increase in trade creditors due to the purchase of an asset related to the build-up of capability in a new aircraft type, namely the A380 product and the negative cash balance at the end of 2022 which is presented as group undertakings due to the cash pooling arrangement.

Strategy

The company intends to maintain its strategy of increasing volume through winning new contracts, introducing the capability to overhaul a new aircraft type and increasing market share.

In order to support the planned growth it will continue to increase the workforce in the long-term, to invest in new plant and equipment and additional exchange assets where possible whilst managing the cost base through efficiency and cost saving initiatives, thereby maximising utilisation of its state of the art facility.

The company anticipates that once training and recruitment of replacement employees mentioned above is complete, the labour efficiencies should return to pre-COVID levels.

Future outlook

It was anticipated in the budget for 2023 that performance would significantly improve as the company benefited from internal measures introduced to increase labour efficiency and reduce material costs. However due to the loss in headcount mentioned above the deterioration in labour efficiency remains. In addition inflationary pressures remain which has kept material costs higher than expected.

Investment compared to previous years will be significantly increased to build capability for new products in particular the A380 gear type in the short term and to replace existing plant and machinery in the longer term. As a result of this new capability the company will build on its existing customer base, increasing revenues and gross margin in future years.

The introduction of the A380 product will also generate greater opportunities for asset solution deals thereby increasing both revenue and profitability.

Strategic report (continued)
for the year ended 31 December 2022

Future outlook (continued)

Current forecasts indicate a deteriorating cash-flow situation for the remainder of 2023 mainly driven by the negative trend in labour efficiency impacting our current output followed by an improving cash balance next year mainly driven by the A380 business. The decrease in cash-flow will be funded in the short term with an increase in loan facilities whilst the company continues its steady return to profitability and gradually improving cash-flow.

Financial key performance indicators

The company's key performance indicator is its turnover and profit before tax, which is analysed in detail by product and customer and forecast using detailed planning models.

The turnover (including WIP) for the year is £41,505,000 (2021: £37,647,000).
The loss before tax for the year is £4,441,000 (2021: £106,000 profit).
The net liabilities are £22,833,000 (2021: £17,904,000 liabilities).

Principal risks and uncertainties

The management of the business and execution of the company's strategy are subject to a number of risks or uncertainties.

Most aviation related businesses have the potential to be affected by acts of terrorism or war which could deter passengers from air travel and thereby significantly affect airline operations and profitability. A crisis in the airline sector could reduce the number of aircraft in operation and therefore the future demand for landing gear overhauls.

Although the business is specialised in nature, the number of competitors is increasing as older aircraft types are phased out. The phase out of the B747 aircraft type, for example, leads to an increased risk of inventory write-offs and redundant exchange assets which need to be terminated. Alternatively the introduction of the A380 aircraft type leads to additional risks associated with setting up a new service line and building up capability in a new product.

The company aims to minimise the above risks by maintaining the flexibility to adjust capacity to meet future demand. It has employed a flexible working policy coupled with the use of temporary employees where possible to give it the ability to reduce overtime working and to vary shift patterns in response to changing demand. In addition the company is one of four facilities within the Lufthansa Technik Landing Gear Product Division, which plans its strategy and capacity on a global basis and has the scope to transfer workload and assets between facilities in order to balance capacity and demand.

Financial risk management

The company's operations expose it to financial risks that include foreign exchange risk and credit risk. Financial risk management policies are set by the parent company, Deutsche Lufthansa AG. The chief financial officer and financial controller are responsible for monitoring the policies.

Foreign exchange risk
The company is exposed to foreign exchange risks in the normal course of business, principally on sales and purchases in US Dollars. The company's policy on mitigating the effect of this currency exposure is to minimise the amount outstanding at any time. Furthermore, the company aims to minimise the financial risks associated with the fluctuation of the foreign exchange rates by hedging the future expected cash flows denominated in foreign currencies using the derivative instruments (forwards). These are contracted by Lufthansa Technik AG on behalf of the company and hence are not reflected in these financial statements. The fair value of open forwards as at 31 December 2022 is a £343,000 asset (2021: £41,000 asset).

Strategic report (continued)
for the year ended 31 December 2022

Financial risk management (continued)

Credit risk
The company has implemented policies that require appropriate credit checks on potential customers before sales are made. In addition the company has implemented a bad debt policy whereby all customer invoices greater than 90 days old according to invoice date are provided for. Where customers enter into administration the invoices are provided in full and when a customer becomes bankrupt the invoices are written off. To minimize the company's exposure to credit risk associated with financial instruments, the company places its temporary cash investments with high-credit-quality institutions.

Price risk
Due to increased competition in the market, prices are under pressure and the company faces customer demands for reductions. The company will aim to pass on increased costs to its customers as far as is reasonable in the circumstances while maintaining its tight control of overhead costs to mitigate their impact. The company maintains a high level of expertise in its negotiation teams.

Liquidity risk
The company's liquidity position is managed by its parent company, Lufthansa Technik AG. The group's financial planning strategy and processes enable the company to identify its future liquidity requirement at an early stage.

Risks and uncertainties - The potential impact of inflation on our business
As explained in the Going concern paragraph of the director's report, although the current increase in inflation will negatively affect our business this has already been anticipated and measures taken to mitigate the effects. In addition to the already known effects, the macroeconomic uncertainty causes disruption to economic activity and it is unknown what the longer-term impact on our business and the aviation industry may be.

S172 Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefits of its members as a whole. In doing this S172 requires a director to have regard, among other matters, to the:

- Likely consequences of any decisions in the long term;
- Interests 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 conduct; and
- Need to act fairly as between members of the company.

This statement intends to set out how the Board of Directors, both individually and collectively, has taken into consideration the above matters when undertaking their duties during the year in discharging their S172 duties. The aim of the directors is to act fairly and in the best interests of the company over the long term. In making their decisions the directors also consider any associated risks when discharging their duties. Please see summary above for the company's principal risks and uncertainties surrounding the business.

Strategic report (continued)
for the year ended 31 December 2022

The principal decisions of the Board are those that have a potentially material impact on the company's long term performance, value creation or a stakeholder group. The Board's principal activities during the year covered (i) review of monthly financial performance, (ii) approval of the annual budget, (iii) monitoring funding available to the business, (iv) review of progress in key actions of the executive management, and (v) review of specific matters that are reserved for the Board (set out in the reserved matters of our shareholder agreement).

We identify our key stakeholders as our employees, customers, suppliers, shareholders and regulators with whom we work. There were no principal decisions of the Board that impacted our stakeholders during the year.

Please see directors' report for details on how the company engages with each of these stakeholders.

This report was approved by the board on 18 December 2023 and signed on its behalf by:

C Rodarius

Christian Rodarius
Director

Lufthansa Technik Landing Gear Services UK Limited

Directors' report
for the year ended 31 December 2022

The directors present their annual report and the audited financial statements for the year ended 31 December 2022.

Results and dividends

The loss for the financial year, after taxation, amounted to £5,035,000 (2021: £7,000 loss).
The net liabilities at the balance sheet date were £22,833,000 (2021: liabilities £17,904,000).
The directors do not recommend the payment of a dividend (2021: £nil).

Directors

The directors who served during the year and up to the date of signing these financial statements were:

Georg Fanta
Christian Rodarius
Klaus Wachholz

Matters covered in the Strategic report

The company's future outlook and financial risk management policies are set out in the Strategic report.

Political contributions

The company made no political donations in 2022 (2021: £nil).

Employee involvement

The company is also committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interests. In addition, the company encourages the involvement of employees by means of regular employee briefings and meetings and continues to expand the company intranet in order to provide employees with a wide range of information.

Disabled employees

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status and offers appropriate training and career development for disabled staff. If members of staff became disabled the company would continue employment wherever possible and arranges for retraining.

Qualifying third party indemnity provisions

The company maintains liability insurance for its directors and officers. The company has also provided an indemnity for its directors and the company secretary, which is a qualifying third party indemnity provision and was in force during the financial year and also at the date of approval of the financial statements for the purposes of the Companies Act 2006.

Directors' report
for the year ended 31 December 2022 (continued)

The future stability of the company is secured via the introduction of new product capability which will attract new customers as well as increase revenue with existing customers. This will be achieved through significantly increased investment and negotiation of new customer contracts, some of which are already in progress. The company anticipates an increase in headcount to accommodate the increased workload and a return to pre-COVID levels of capacity. The effects of inflation will be mitigated via hedged energy contracts and internal measures to manage the day-to-day business consumption.

Now that the Economic Stabilization Fund of the Federal Republic of Germany (WSF) have divested their remaining stake holding in the airline, the company has full access to the financial support of the parent. The previous credit limit was re-instated in September 2022 and increased in June 2023 to manage the short-term cash-flow fluctuations and should these agreed levels be exceeded, the company is able to re-negotiate these limits or replace with an alternative source of funding such as long term loans from the parent with the associated increased interest rates.

Based on the circumstances described above, the financial statements are prepared on the assumption that the entity is a going concern. For the Director's assessment of going concern, please refer to note 3.2 on page 19.

The going concern period considered by the directors has been to 31 December 2024.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Lufthansa Technik Landing Gear Services UK Limited

Directors' report
for the year ended 31 December 2022 (continued)

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

Independent auditors

The current auditors for the company are Ernst & Young LLP and were appointed on 5 May 2020 in accordance with section 485 of the Companies Act 2006.

Stakeholder engagement

Engaging and building trust with the broad range of stakeholders that interact with, or are impacted by, our business is key to delivering our strategy and ensuring our success over the long term.

Engagement with our shareholders and wider stakeholder groups plays a vital role throughout the business. We set out in the following table our key stakeholder groups, their material issues and how the Company engage with them. Each stakeholder group requires a tailored engagement approach to foster effective and mutually beneficial relationships.

Shareholders	The support of our shareholders is vital to the long-term performance of the company. **What matters** · Financial performance and commercial success · Company's recurring contract revenue or "Book of Business" · Identify opportunities for growth/expansion **How we engage** · Quarterly board meetings & monthly reports · Shareholder reporting · Regular meetings, calls and site visits · Annual statutory accounts · Annual budget **What we are doing** · Quarterly board meetings to ensure that our shareholders understand our strategy and performance

Directors' report
for the year ended 31 December 2022 (continued)

Customers	A key focus for the company is that we are trusted to deliver a productivity, quality and compliance benefit to our customers. **What matters** · Understand customer specific needs in relation to shipment of gears · Service performed safely and to a high standard · Service undertaken when scheduled · Efficiency of services · Data security of information **How we engage** · Regular customer contact through our account managers · Response to customer complaints to secure long-term business · Direct marketing and communications · Corporate website **What we are doing** · Reviewing our internal structure and lines of communication to maintain high standards for service quality and timely delivery. · Management of ongoing customer relationships by reviewing customer feedback.
Employees	We involve and listen to employees to help us maintain strong employee engagement and retain talented people. **What matters** · Training, development and prospects · Health and safety and working conditions · Diversity and equal opportunities · Fair pay & benefits · Tools to do the job **How we engage** · Employee engagement survey for employees to provide feedback · Workforce communications via various forms of media · Ethical code-of-conduct · Confidential reporting via phone and email **What we are doing** · Monitoring employee engagement through the employee survey and acting on feedback to improve engagement · Monitoring and acting on workplace health and safety matters
Governing bodies and regulators	We work with our regulators to ensure we comply with the relevant regulatory obligations. The principle regulatory bodies that we work with are, civil aviation authorities, environmental, health and safety, and taxation. **What matters** · Compliance with environmental, health and safety regulations · Technical compliance · Compliance with workers' pay and conditions **How we engage** · Regular contact and discussion with regulators · We seek to deal with tax authorities in an open and collaborative manner · Corporate website · Annual statutory accounts **What we are doing** · Regular reports from our business on regulatory issues and engagement · Maintaining open relationships with regulators and tax authorities

Directors' report
for the year ended 31 December 2022 (continued)

Suppliers	We work with a number of key suppliers, who provide various services to us including services integral to our customers. **What matters** · Success of the Group · Opportunities to innovate and grow the relationship · Payment terms **How we engage** · Regular direct engagement · Collaborative working meetings **What we are doing** · We work closely with each supplier to ensure service required are anticipated in advance of eventual use of service by our customers · Conducting business with suppliers who share our high quality standards to ensure security of services provided

The Environment

Lufthansa Technik Landing Gear Services UK Limited recognises the growing importance of sustainability and the environmental impact of the business and therefore actively seeks to identify and action initiatives to reduce our emissions by working closely with stakeholders.

The company is required to report under the Streamlined Energy and Carbon Reporting (SECR) framework, under the Companies (Directors' Report) and Limited Liabilities Partnerships (Energy and Carbon Report) Regulations 2018.

The SECR guidance requires reporting on either location or market based figures, but at least one of these must be disclosed. The detail below has therefore been prepared using location figures.

LG Energy group consultants were appointed to audit our environmental impact in compliance with the SECR framework and to prepare the figures presented in this disclosure.

Energy Efficiency Actions

Lufthansa have a proactive approach to energy management by monitoring monthly consumption figures and working towards CCA targets. Following ESOS audits LED lighting has been installed in the offices and production areas.

Energy consumption and Greenhouse Gas Emissions

All conversion factors and fuel properties used in compiling the figures have been taken from the 2021 "UK Government Greenhouse Gas Conversion Factors for Company Reporting" published by the Department for Business, Energy & Industrial Strategy (BEIS) and the Department for Environment, Food & Rural Affairs (DEFRA). All greenhouse gas emissions have been converted and expressed in terms of their carbon dioxide equivalence.

Lufthansa Technik Landing Gear Services UK Limited

Directors' report
for the year ended 31 December 2022 (continued)

Energy consumption and Greenhouse Gas Emissions (continued)

Energy consumption expressed in kilowatt hours has been taken from supplier invoices. Conversion factors for the average UK generation mix have been used to calculate greenhouse gas emissions. Transport data has been recorded in mileage terms and the conversion factors for forecourt blends have been used to calculate greenhouse gas emissions and underlying energy use.

Energy Intensity

The most relevant intensity ratios for the business are presented in the following table.

Table 1: Streamlined Energy and Carbon Reporting data

Reporting period	**FY2022** (Jan 22 – Dec 22)		
GHG Emissions		**Consumption (kWh)**	**Released tCO_{2e}**
Scope 1	Operations	6,619,467	1,209
	Offices	348,393	64
Scope 2	Operations	3,104,078	600
	Offices	163,373	32
Energy Intensity			
Total Released tCO_2		1,905	
Annual MWh per tonnes of production		53.19	
Annual tCO_2e / per tonnes of production		9.90	

This report was approved by the board on 18 December 2023 and signed on its behalf by:

Christian Rodarius
Director

Lufthansa Technik Landing Gear Services UK Limited

Independent auditors' report to the members of Lufthansa Technik Landing Gear Services UK Limited

Opinion

We have audited the financial statements of Lufthansa Technik Landing Gear Services UK Limited for the year ended 31 December 2022 which comprise the Income Statement, the Statement of Financial Position, the Statement of Comprehensive Income and the Statement of Changes in Equity and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards comprising FRS 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 company's affairs as at 31 December 2022 and of its 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's responsibilities for the audit of the financial statements section of our report. We are independent of the company 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 3.2 in the financial statements, which describes the nature of the Lufthansa Group cash pooling facility. Cash earned by the entity is swept into the pool each day and the entity relies on access to this cash pool to settle its liabilities. However, the company has access to a £2m loan facility (£5m drawn down during the year) from the cash pool which may or may not be sufficient funds to meet their liabilities as these fall due, nor has written assurance of this unlimited parental support been obtained.

Whilst the company has prepared forecasts which it has stress tested and reverse stress tested, if the group were to restrict the entity's access to cash within the cash pool facility, this would impact the company's ability to settle its obligations to other third party suppliers. As stated in Note 3.2, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the company'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 director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The going concern period considered by the directors has been to 31 December 2024.

Independent auditors' report to the members of Lufthansa Technik Landing Gear Services UK Limited (continued)

Material uncertainty related to going concern (continued)

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 this 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 the 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 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent auditors' report to the members of Lufthansa Technik Landing Gear Services UK Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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 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 company or to cease operations, or have no realistic alternative but to do so.

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 auditor's 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 financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102 and the Companies Act 2006) and the relevant direct tax compliance regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including the specific aircraft safety requirements (outlined by the FAA, EASA Part145 for MRO and the CAA.).

- We understood how the Company is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas. We corroborated our enquiries through our review of board minutes, recent correspondence with the regulatory bodies such as HMRC, as well as consideration of the results of all our audit procedures across the Company's transactions and balances, and we did not identify any contradictory evidence. We also reviewed significant contracts with airlines and agreements impacting the Company in the financial year.

Independent auditors' report to the members of Lufthansa Technik Landing Gear Services UK Limited (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by discussing with both the directors and management to understand their process of identification and assessment of risk and how these risks are being mitigated. We considered the risk of fraud through management override of controls and, in response, performed testing of manual journal entries. Where instances of risk behaviour patterns were identified through our manual journal entry testing, we performed additional procedures to address each identified risk. These procedures included testing of transactions back to source information and were designed to provide reasonable assurance that the financial statements were free from fraud or error.

Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing each journal above our threshold testing limit, with a focus on journals meeting our defined risk criteria based on our understanding of the business, enquiries of the compliance officer, management and challenging the assumptions and judgements made by management in respect of deferred tax asset recoverability and other significant accounting estimates.

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

Mohan Pandian (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

18 December 2023

Lufthansa Technik Landing Gear Services UK Limited

Income statement
for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Turnover	5	**41,505**	37,647
Cost of sales		**(37,535)**	(31,817)
Gross profit		**3,970**	5,830
Distribution costs		**(170)**	(130)
Administrative expenses		**(7,271)**	(5,235)
Operating (loss)/profit	6	**(3,471)**	465
Interest payable and similar expenses	9	**(866)**	(220)
Other finance expenses	10	**(104)**	(139)
(Loss)/profit before taxation		**(4,441)**	106
Tax on (loss)/profit	11	**(594)**	(113)
Loss for the financial year		**(5,035)**	(7)

All results are derived from continuing operations.

The notes on pages 19 to 43 form part of these financial statements.

Lufthansa Technik Landing Gear Services UK Limited

Statement of comprehensive income for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Loss for the financial year		**(5,035)**	(7)
Actuarial gain/(loss) relating to pension scheme	22	**201**	2,130
Movement on deferred tax relating to pension scheme	19	**(95)**	(455)
Other comprehensive income for the financial year		**106**	1,675
Total comprehensive (expense)/income for the financial year		**(4,929)**	1,668

Lufthansa Technik Landing Gear Services UK Limited

Statement of financial position as at 31 December 2022

	Note	£000	2022 £000	£000	2021 £000
Fixed assets					
Tangible assets - exchange assets	12		-		-
Tangible assets – other	13		2,005		2,137
Total Fixed Assets			2,005		2,137
Current assets					
Stocks	14	11,849		12,680	
Debtors (Including debtors greater than one year of £nil (2021:£1,257k))	15	6,818		6,762	
Cash at bank and in hand	16	-		-	
Total Current Assets		18,667		19,442	
Current Liabilities					
Creditors: amounts falling due within one year	17	(22,091)		(17,190)	
Net current assets			(3,424)		2,252
Total assets less current liabilities			(1,419)		4,389
Long term liabilities					
Creditors: amounts falling due after one year	18		(21,161)		(21,726)
Defined benefit pension liability	22		(141)		(440)
Other provisions	20		(112)		(127)
Net liabilities			(22,833)		(17,904)
Capital and reserves					
Called up share capital	21		18,270		18,270
Other reserves			17,604		17,604
Accumulated losses			(58,707)		(53,778)
Total equity			(22,833)		(17,904)

The financial statements on pages 15 to 43 were approved by the board of directors on 18 December 2023 and were signed on its behalf by:

C Rodarius

Christian Rodarius
Director

The notes on pages 19 to 43 form part of these financial statements.

Lufthansa Technik Landing Gear Services UK Limited

Statement of changes in equity
for the year ended 31 December 2022

	Called up share capital	Other reserves	Accumulated losses	Total equity
	£000	£000	£000	£000
At 1 January 2021	**18,270**	**17,604**	**(55,446)**	**(19,572)**
Loss for the financial year	-	-	**(7)**	**(7)**
Other comprehensive income for the financial year	-	-	**1,675**	**1,675**
Total comprehensive income for the year	-	-	**1,668**	**1,668**
At 31 December 2021	**18,270**	**17,604**	**(53,778)**	**(17,904)**
At 1 January 2022	**18,270**	**17,604**	**(53,778)**	**(17,904)**
Loss for the financial year	-	-	**(5,035)**	**(5,035)**
Other comprehensive income for the financial year	-	-	**106**	**106**
Total comprehensive expense for the year	-	-	**(4,929)**	**(4,929)**
At 31 December 2022	**18,270**	**17,604**	**(58,707)**	**(22,833)**

Other reserves relates to a capital contribution made by the parent company which comprised a forgiveness of a trading balance and a loan.

Lufthansa Technik Landing Gear Services UK Limited

Notes to the financial statements for the year ended 31 December 2022

1. General information

Lufthansa Technik Landing Gear Services UK Limited is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is Unit 3, Dawley Park, Kestrel Way, Hayes, Middlesex, UB3 1HP.

The company's principal activity is the repair and overhaul of landing gear, flap track and flap carriage components of aircraft. The company has no overseas branches.

2. Statement of compliance

The financial statements of Lufthansa Technik Landing Gear Services UK Limited have been prepared in compliance with United Kingdom accounting standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

3.1 Basis of preparation

These financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3.2 Going concern

Management has considered the financial position of Lufthansa Technik Landing Gear Services UK Limited (The "Company") at 31 December 2022 and the projected cash flows and financial performance of the underlying business for at least 12 months from the date of the financial statements based on the facts and circumstances known at this moment and the possible scenarios regarding the crisis in the Ukraine and current inflation rates which have been stress tested.

These projections indicate a return to profitability in the going concern period and sufficient resources to enable the company to fund its operations and to meet its financial obligations as they fall due throughout the period under consideration.

The key assumptions and inputs to this base case scenario are:

- Securing future revenues, profitability and cash via the introduction of new product capability;
- Cash-flow forecasts include repayment of existing loans as per revised loan agreements;
- Return to pre-COVID capacity levels;

3. Summary of significant accounting policies (continued)

3.2 Going concern (continued)

- The effects of inflation particularly with respect to rising energy costs are already addressed as the current supplier contract is signed for the next 3 years and contains a hedging based on normal consumption. If the business under-consumes it has the contractual ability to sell the excess energy back to the market at the spot rate. Additionally, the business is already considering measures in its day-to-day business to make sure consumption remains at expected levels or lower therefore mitigating any risk;

- The company will have full access to the financial support of the parent. This means continued use of the cash pooling facility to manage obligations and the re-instatement of the credit line which was reinstated in September 2022 and increased in June 2023. Should the reinstated credit line be exceeded the company will be able to increase the limit or replace with an additional loan at higher interest rates;

Worst-case scenarios have been modelled to stress test the base case.

Having reviewed the base case and the downside scenarios, the Directors have a reasonable expectation that the Company has sufficient liquidity to continue in operational existence for the foreseeable future and hence continue to adopt the going concern basis in preparing the financial statements.

However, due to the reliance upon the parent's cash pool facility for access to funds to settle its liabilities, for which no written assurance has been provided, the Directors have considered this represents a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Cash generated by the entity is swept into the pool each day and the business is reliant on access to this cash pool to settle its liabilities. If the group were to restrict or withhold the entity's cash within the facility, this would impact the Company's ability to meet intercompany loan obligations, as well as its ability to pay other third-party suppliers.

The Directors were able to secure an additional loan facility of £7,000,000 after the balance sheet date and £6,000,000 of this facility was already drawn by the time these financial statements were signed. Therefore the directors remain confident that funding will continue to be made available hence the financial statements have been prepared on a going concern basis.

The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern. The going concern period considered by the directors has been to 31 December 2024.

3.3 Exemptions for qualifying entities under FRS 102

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- *the requirements of Section 33 Related Party Disclosures paragraph 33.7.*

3. Summary of significant accounting policies (continued)

3.3 Exemptions for qualifying entities under FRS 102 (continued)

This information is included in the consolidated financial statements of Deutsche Lufthansa AG as at 31 December 2022 and these financial statements may be obtained from Deutsche Lufthansa AG, Weg beim Jaeger 193, D22335, Hamburg, Germany.

3.4 Foreign currency

(i) Functional and presentational currency

The company's functional and presentational currency is GBP.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end, foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

3.5 Revenue Recognition

Previously the policy of the company was to recognise revenue based on amounts received and receivable for goods and services invoiced in the UK net of value added tax and other related taxes. All turnover was recognised in accordance with applicable terms of trade at the date of completion of overhaul and after netting off discounts and rebates if applicable. A policy restatement has been performed during the year.

The company now recognizes revenue from long-term contracts using the percentage of completion method. This method is applied when there is a reliable estimate of the extent of progress towards completion, contract revenue, and contract costs. Under this method, revenue is recognized in proportion to the extent of completion of the contract. The percentage of completion is determined based on the ratio of costs incurred to date to the estimated total contract costs. This ratio is reviewed and updated at each reporting period.

The revenue recognized is subject to adjustments if there are changes in estimates of contract revenue or costs. Such adjustments are made on a cumulative basis. The costs incurred include all direct and indirect costs that are attributable to contract performance. These costs are recognized as expenses in the period in which they are incurred. If it is determined that it is probable that the total contract costs will exceed total contract revenue, a provision for the expected loss is recognized immediately in the income statement.

The impact of the change in policy is immaterial.

3.6 Employee benefits

The company provides a range of benefits to employees, including paid holiday arrangements, defined benefit and defined contribution pension plans.

3. Summary of significant accounting policies (continued)

3.6 Employee benefits (continued)

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension scheme
The company operates a defined contribution pension scheme. A defined contribution scheme is a pension scheme under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the statement of financial position. The assets of the scheme are held separately from the company in independently administered funds.

The company provides a range of benefits to employees, including paid holiday arrangements, defined benefit and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension scheme

The company operates a defined contribution pension scheme. A defined contribution scheme is a pension scheme under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the statement of financial position. The assets of the scheme are held separately from the company in independently administered funds.

(iii) Defined benefit pension scheme

The company participates in a defined benefit pension scheme for the benefit of the majority of its employees, the assets of which are held separately from those of the company in independently administered funds.

The fair value of the pension scheme assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques. Pension scheme liabilities are measured using the projected unit credit method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the group's defined benefit scheme expected to arise from the employee service in the period is charged to the income statement. The expected return on the scheme's assets and the increase during the year on the present value of the scheme's liabilities arising from the passage in time are included in the income statement. Actuarial gains and losses are recognised in the statement of comprehensive income.

Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the statement of financial position gross of the related deferred tax.

Full actuarial valuations are being carried out every 3 years. The date of the previous valuation was 1 April 2021.

3. Summary of significant accounting policies (continued)

3.7 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

3.8 Interest payable

Interest payable is recognised in the income statement in the year in which the interest expense is incurred.

3. Summary of significant accounting policies (continued)

3.9 Tangible fixed assets and depreciation

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

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated on a straight line basis at rates designed to write off the assets over their estimated useful economic life.

The estimated useful economic lives are as follows:

Leasehold improvements	-	Outstanding life of lease
Fixtures and fittings	-	5 years
Computer equipment	-	3 years
Plant and machinery	-	5 to 8 years
Motor vehicles	-	7 years

No depreciation is charged on construction in progress.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement. A physical inventory check of tangible fixed assets is carried out every two to three years during which assets are inspected to identify any impairment.

3.10 Exchange assets

The company owns a number of assets which are used to perform exchanges with its customers. These exchange assets are stated at cost less accumulated depreciation and accumulated impairment.

Depreciation is provided on cost, less the estimated residual value, in equal annual instalments over the estimated useful economic lives of the assets.

The estimated useful economic lives are as follows:

Landing gears	-	5 to 12 years
Flap tracks and carriages	-	12 years

3. Summary of significant accounting policies (continued)

3.11 Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals paid under operating leases are charged to the income statement on a straight line basis over the lease term.

(ii) Lease incentives

Incentives received to enter into an operating lease are credited to the income statement to reduce the lease expense, on a straight-line basis over the period of the lease.

The company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the income statement over the period to the first review date on which the rent is adjusted to market rates.

3.12 Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the income statement, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the income statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the income statement.

3. Summary of significant accounting policies (continued)

3.13 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost included all costs incurred in bringing each product to its present location and condition. Weighted average method is used as the basis for valuation of stocks.

Stock includes provisions for slow moving and obsolete stock.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the income statement. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the income statement.

3.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

3.15 Provisions

Provisions, in particular for warranty costs, are recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably measured.

3. Summary of significant accounting policies (continued)

3.16 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and financial liabilities.

(i) Financial assets

Basic financial assets, including trade and other debtors and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the income statement.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

3. Summary of significant accounting policies (continued)

3.16 Financial instruments (continued)

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

3.17 Share capital

Ordinary shares are classified as equity.

4. Critical accounting judgements and estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Stocks provisioning

The company overhauls and maintains aircraft landing gear and is subject to the development of the aviation industry in terms of existing aircraft being phased out and new lines of aircraft being introduced. As a result, it is necessary to consider the recoverability of the cost of stocks and the associated provisioning required. When calculating the stocks provision, management considers aircraft type and condition of the stock, as well as applying assumptions around anticipated demand and future usage. See note 14 for the net carrying amount of the stocks.

(ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of debtors historical experience and industry news. See note 15 for the net carrying amount of the debtors and associated impairment provision.

(iii) Loan gear accrual

The company maintains a provision to cover the expected cost of overhauling gears that are loaned to customers whilst their gears are in work. The cost of the expected overhaul is estimated based on previous overhauls of similar gear types. The provision is built up over eight years to reflect anticipated wear and tear of gears and thus the requirement to overhaul and is a change from the previous year where the gear accrual was built up over two years. The reason for the change is that eight years is considered more reflective of the useful life of a gear following a management review carried out during the year. The impact of this change in the financial statements is a decrease of £111,000 in the loan gear accrual balance as at 31 December 2022.

(iv) Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends. See note 22 for the disclosures relating to the defined benefit pension scheme.

v) Cash flow forecasts

In the preparation of these financial statements, management has exercised critical accounting judgement in formulating cash flow forecasts. These forecasts are instrumental in assessing the Company's ability to meet its financial obligations and make informed investment decisions and thereby underpin the going concern assumption. Management employs a combination of historical data, market trends, and internal projections to develop these forecasts, taking into account various factors such as anticipated sales volumes, pricing dynamics, supplier terms, and expected collection patterns from customers. Additionally, consideration is given to potential economic uncertainties and external factors that may impact cash flows, such as changes in interest rates, exchange rates, and economic conditions. It is imperative to recognize that cash flow forecasts are inherently forward-looking and subject to a degree of uncertainty, and actual results may ultimately differ from these projections. Management's judgements in this area are rigorously assessed and, when necessary, adjusted in response to evolving market conditions or changes in the Company's operating environment, ensuring that the forecasts remain reflective of the most current and reasonable expectations.

vi) Asset Useful Economic Life

Management has made critical accounting judgements concerning the determination of useful economic lives of assets. This assessment is pivotal in calculating depreciation and amortization expenses, which directly impact the Company's reported financial performance and carrying amounts of long-lived assets. Management considers a range of factors, including historical experience, industry-specific practices, and technological advancements, when estimating the useful economic life of each asset class. Additionally, consideration is given to potential changes in market conditions, regulations, and advancements in technology that may affect the asset's lifespan. It is important to acknowledge that the estimation of useful economic lives involves a level of subjectivity, and actual performance and longevity of assets may vary from these estimates. Management's judgements in this area are subject to periodic review and adjustment in light of new information or changes in circumstances, ensuring that the carrying values of assets accurately reflect their anticipated contribution to the Company's operations over time.

vii) Warranty Provision

In preparing these financial statements, management has exercised critical accounting judgement in determining the appropriate provision for warranties. The Company offers warranties on certain products, obligating it to cover potential future costs associated with repairs or replacements. Management's judgement is applied in estimating the expected future costs based on historical experience and feedback from technical experts. Additionally, consideration is given to any specific circumstances or events that may impact the warranty provision, such as changes relating to the manufacturing processes being adopted. It is essential to note that the estimation of warranty provisions inherently involves a degree of uncertainty, and actual costs may ultimately vary from these estimates. Management's judgements in this area are regularly reviewed and, where necessary, adjusted in light of new information or changes in circumstances, ensuring that the provision adequately reflects the Company's obligations under its warranty agreements.

5. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

The whole of the turnover is attributable to the company's principal activity namely the repair and overhaul of aircraft landing gear.

All turnover arose within the United Kingdom.

6. Operating profit

The operating profit is stated after charging/(crediting):

	2022	2021
	£000	£000
Auditors' remuneration - audit fee	46	41
Depreciation of tangible fixed assets – other	600	535
Inventory recognised as an expense	12,577	11,769
Impairment of stock	(451)	1,000
Operating lease charges	6,137	5,444
Government subsidies and grant income	-	(1,261)
Impairment of trade receivables	796	79
Difference on foreign exchange	1,100	(329)

7. Employee information

The aggregate payroll costs were as follows:

	2022	2021
	£000	£000
Wages and salaries	10,791	10,116
Social security costs	1,123	967
Other pension costs (see note 22)	1,246	1,014
	13,160	12,097

The average monthly number of employees by activity, including the directors, during the year was as follows:

	2022	2021
	No.	No.
Production	183	188
Administration (including directors)	97	94
	280	282

8. Directors' remuneration

The emoluments of the directors are borne by fellow group companies. The directors hold directorships in a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries.

9. Interest payable and similar expenses

	2022 £000	2021 £000
Interest payable to group undertakings	**866**	220

10. Other finance expenses

	2022 £000	2021 £000
Interest income on pension assets	**649**	505
Interest expense on pension liabilities	**(653)**	(544)
Current service costs	**(100)**	(100)
	(104)	(139)

11. Taxation

	2022 £000	2021 £000
Current tax		
UK corporation tax charge on loss for the financial year	**-**	-
Deferred tax		
Deferred tax charge for the year	**78**	148
Deferred tax adjustments in respect of prior years	**(28)**	(261)
Write off deferred tax asset during the year	**(644)**	-
Total deferred tax	**(594)**	(113)
Tax charge for the year	**(594)**	(113)

11. Tax on Loss (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same (2021: same) as the standard rate of corporation tax in the UK of 19.0% (2021: 19.0%). The differences are explained below:

	2022 £000	2021 £000
(Loss)/profit before taxation	(4,441)	106
(Loss)/profit before taxation multiplied by standard rate of corporation tax in the UK of 19.0% (2021: 19.0%)	(844)	20
Effects of:		
Deferred tax adjustments in respect of prior years	(28)	(261)
Revaluation of recognised tax losses	922	128
Effect of difference in tax rate	-	-
Write off deferred tax asset during the year	(644)	-
Total tax credit for the year	(594)	(113)

Factors that may affect future tax charges

Legislation was introduced in the Spring Finance Bill 2023 to change corporation tax and set the main rate at 25% and the small profits rate at 19% for the financial year beginning 1 April 2023. The increase in tax rate will impact the future value of the unrecognised deferred tax assets.

Deferred tax at 31 December 2022 has been calculated based on these rates.

Lufthansa Technik Landing Gear Services UK Limited

Notes to the financial statements
for the year ended 31 December 2022

12. Tangible assets - exchange assets

	Landing gear	Flap track and flap carriage	Total
	£000	£000	£000
Cost			
At 1 January 2022	17	1,461	1,478
At 31 December 2022	17	1,461	1,478
Accumulated depreciation			
At 1 January 2022	17	1,461	1,478
At 31 December 2022	17	1,461	1,478
Net book value			
At 31 December 2022	-	-	-
At 31 December 2021	-	-	-

Notes to the financial statements
for the year ended 31 December 2022

13. Tangible assets - other

	Leasehold improvements	Fixtures and fittings	Computer equipment	Plant and machinery	Motor vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 January 2022	6,043	431	1,142	9,599	34	17,249
Additions	8	4	30	507	-	549
Transfers	393	-	-	(393)	-	-
Disposals	(82)	(14)	(337)	(498)	(33)	(964)
At 31 December 2022	6,362	421	835	9,215	1	16,834
Accumulated depreciation						
At 1 January 2022	5,512	283	1,112	8,171	34	15,112
Charge for the year	257	61	14	268	-	600
Disposals	(72)	(14)	(337)	(427)	(33)	(883)
At 31 December 2022	5,697	330	789	8,012	1	14,829
Net book value						
At 31 December 2022	665	91	46	1,203	1	2,005
At 31 December 2021	531	148	30	1,428	-	2,137

14. Stocks

	2022	2021
	£000	£000
Raw materials	189	101
Work in progress	3,725	4,671
Finished goods and goods for resale	7,935	7,908
	11,849	12,680

Stocks are held on the balance sheet at the lower of cost and net realisable value. Stocks are stated after provision for impairment of £6,573,000 (2021: £7,024,000).

15. Debtors

	2022 £000	2021 £000
Amounts falling due after more than one year		
Deferred tax asset (see note 19)	-	689
Amounts falling due within one year		
Trade debtors	**4,536**	3,556
Other debtors	**1,728**	431
Amounts owed by group undertakings	-	1,778
Prepayments and accrued income	**554**	308
	6,818	6,762

The deferred tax asset was fully written off as at 31 December 2022. In the previous year the deferred tax asset arising on the defined benefit pension liability was offset against the defined benefit pension liability.

Trade debtors are stated after provisions for impairment of £2,659,000 (2021: £1,863,000).

Amounts owed by group undertakings consists of balances in the company's favour which result from the Group cash pooling arrangement and trading balances. These balances are not secured and have no applicable interest rate or repayment date. The balance as at 31 December 2022 was in the Group's favour and therefore restated as amounts owed to group undertakings in note 17.

The movement in other debtors is mainly due to accrued income. There were more events at the end of 2022 that had been technically completed but not invoiced as compared to the previous year.

16. Cash at bank and in hand

	2022 £000	2021 £000
Cash at bank and in hand	-	-

17. Creditors: amounts falling due within one year

	2022 £000	2021 £000
Bank loans and overdrafts	-	-
Trade creditors	**5,857**	2,857
Amounts owed to group undertakings	**1,164**	-
Taxation and social security	**2**	259
Other creditors	**1,115**	1,095
Accruals and deferred income	**13,953**	12,979
	22,091	17,190

The increase in the balance with trade creditors from the previous year is due to the purchase of an A380 asset as well as increased orders for material in relation to a teardown project in the early part of 2023.

Amounts owed to group undertakings consists of balances in the company's favour which result from the Group cash pooling arrangement and trading balances. These balances are not secured and have no applicable interest rate or repayment date. In the previous year the balance was in the company's favour and was classified as amounts owed from group undertakings in note 15.

The balance in taxation and social security represents amounts deducted from employees in the current month's payroll payable to HMRC in the following month. The decrease in the account is due to a repayment of tax amounts to HMRC in FY22 reducing the liability at year end.

18. Creditors: amounts falling due after one year

	2022 £000	2021 £000
Amounts owed to group undertakings	**21,161**	21,726
	21,161	21,726

Amounts owed to group undertakings represent loans obtained from Lufthansa Technik A.G to finance the long term funding requirements of the company.

For the larger loans the balances are unsecured and are repayable in full by 31 December 2027 with the next instalment due 30 June 2023. Interest on these loans is charged on the basis of the Lufthansa Interpolated 6 Year Credit Default Swap as per 28th February 2022 as published by Bloomberg under LHAGR CDS EUR 5Y D14 Curncy (or the relevant successor of that service) plus an internal credit margin of three (3) basis points. The Margin is two hundred and ninety-one (291) basis points per annum.

For the smaller loans the balances are unsecured and are repayable in full by 31st of October 2023 with the next the next instalment due on 30th of April 2023. Interest on these loans is charged on the basis of six(6)-months-GBP-LIBOR as published under ICE Benchmark Administration https://www.theice.com/marketdata/reports/170 (or the relevant successor on that service). The Margin on these loans is 0,77% p.a.

19. Deferred taxation

	2022 £000	2021 £000
At beginning of year	**689**	1,257
Charged to the income statement	**50**	(113)
Charged to other comprehensive income	**(45)**	(455)
Write off deferred tax asset during the year	**(694)**	-
At end of year	**-**	689

The deferred tax asset is made up as follows:

	2022 £000	2021 £000
Unclaimed capital allowances	**-**	556
Short term timing differences	**-**	38
Tax losses carried forward	**-**	-
Post-employment benefits	**-**	95
	-	689

Deferred tax charge

The deferred tax charge in the income statement for the year is made up as follows:

The deferred tax assets relating to the pension deficit are as follows:

	2022 £000	2021 £000
Opening balance at 1 January	**95**	550
Deferred tax charge recognised in the statement of comprehensive income	**(45)**	(455)
Write off deferred tax asset during the year	**(50)**	-
Closing balance at 31 December	**-**	95

20. Other provisions

	Warranty provision £000
At 1 January 2022	127
Additions	-
Utilised during the year	(15)
At 31 December 2022	**112**

The provision relates to work previously carried out that is covered by a future warranty clause in the respective contract. It is calculated as a percentage of future revenues using the level of previous historical claims as a reference point and assumes that there is a greater chance of the warranty being exercised in the year following the work being performed.

The provision is estimated to be utilised over the next two years but is reassessed annually.

21. Called up share capital

	2022 £000	2021 £000
Shares classified as equity		
Allotted, called up and fully paid		
18,269,723 (2021: 18,269,723) - ordinary shares of £1 each	**18,270**	18,270

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

22. Defined benefit pension liability

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost for the year for this scheme was £604,000 (2021: £ 403,000) and there were £ nil (2021: £nil) contributions outstanding at 31 December 2022.

The company also operates a defined benefit pension scheme. The most recent formal actuarial valuation was carried out at 1 April 2021. The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments, the rates of increase in salaries and pensions, and life expectancy.

The gross deficit of £141,000 (2021: £440,000 deficit) before the related deferred tax asset of £nil (2021: £95,000) is included in the statement of financial position at the end of the year.

The actuarial valuation was updated to the accounting date by an independent qualified actuary. The defined benefit liabilities have been measured using the projected unit method in accordance with FRS 102.

The following tables set out the key assumptions used for the scheme, the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the liabilities and the surplus / deficit of assets above / below the liabilities (which equals the gross pension asset / liability).

Assumptions at 31 December	**2022**	2021
Price inflation RPI	**3.1%**	3.3%
Price inflation CPI	**1.9%**	2.1%
Discount rate	**5.0%**	1.8%

The scheme is closed to future benefit accrual from 2011 and as such there is no salary growth assumption required.

The fair value of the scheme assets are as follows:

	2022	2021
Components	**£000**	£000
Equities	**-**	-
Bonds and other	**19,929**	32,925
Investment Funds	**1,963**	3,507
Fair value of assets	**21,892**	36,432

The amounts recognised in the statement of financial position are as follows:

	2022	2021
	£000	£000
Fair value of scheme assets	**21,892**	36,432
Present value of funded obligations	**(22,033)**	(36,872)
Deficit in scheme	**(141)**	(440)

22. Defined benefit pension liability (continued)

The amounts recognised in the income statement are as follows:

	2022 £000	2021 £000
Interest income	**649**	505
Interest expense	**(653)**	(544)
Current service costs	**(100)**	(100)
	(104)	(139)

During the year to 31 December 2022, contributions by the company of £604,000 (2021: £403,000) were made to the scheme. The company expects to pay £520,000 in 2023 in accordance with the recovery plan in respect of the funding deficit.

Reconciliation of scheme assets and liabilities are as follows:

	Assets £000	Liabilities £000	Total 2022 £000	Total 2021 £000
Post retirement deficit at 1 January	**36,432**	**(36,872)**	**(440)**	(2,834)
Interest expense	**-**	**(653)**	**(653)**	(544)
Interest income	**649**	**-**	**649**	505
Contributions by employer	**604**	**-**	**604**	403
Benefits paid	**(1,241)**	**1,241**	**-**	-
Current service cost	**(100)**	**-**	**(100)**	(100)
Actuarial losses	**(14,452)**	**14,251**	**(201)**	2,130
GMP Equalisation	**-**	**-**	**-**	-
Post retirement deficit at 31 December	**21,892**	**(22,033)**	**(141)**	(440)

The following amounts have been recognised within the statement of comprehensive income:

	2022 £000	2021 £000
Actuarial gains/(losses) on scheme assets	**(14,452)**	64
Actuarial (losses)/gains on scheme liabilities	**14,251**	2,066
	(201)	2,130

22. Defined benefit pension liability (continued)

The cumulative amount of actuarial losses recognised in the statement of comprehensive income was £7,175,000 (2021: £6,975,000).

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement are:

	2022	2021
	Years	Years
Member aged 65		
On retirement	**22.0**	22.1
Member aged 40		
Retiring in 20 years	**23.7**	24.4

The expected rates of return on assets are all net of investment management expenses and other expenses of running the plan. For government bonds the expected return has been based on long-dated gilts at the accounting date. For corporate bonds the expected return has been based on long term yields at the accounting date adjusted for the risk of default and downgrade in the future. For equities the expected return has been based on long-dated gilts at the accounting date plus the equity risk premium.

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk free premium associated with the asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio, plus an additional allowance to account for the scheme's holding in diversified investments.

23. Financial commitments

At 31 December 2022 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2022	2021
	£000	£000
Not later than one year	**3,440**	3,189
Later than one year and not later than five years	**4,370**	6,897
Later than five years	**-**	-
	7,810	10,086

24. Capital Commitments

At 31 December 2022 capital commitments contracted but not provided for in these financial statements were £147,000 (2021: £55,000).

Lufthansa Technik Landing Gear Services UK Limited

Notes to the financial statements
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25. Related party disclosure

The company has taken advantage of the exemption as provided by section 33.1A of FRS 102 from disclosing related party transactions with wholly owned entities.

26. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking and controlling party is Lufthansa Technik AG, a company incorporated in Germany, which heads the smallest group for which consolidated financial statements are prepared. Copies of its group financial statements, which include the company are available from Lufthansa Technik AG, Weg beim Jaeger 193, D22335, Hamburg, Germany.

Deutsche Lufthansa AG, a company incorporated in Germany holds all of the shares in Lufthansa Technik AG. Copies of its group financial statements, which include the company are available from Deutsche Lufthansa AG, Von Gabienz Strasse 2-6, 50679 Koln, Germany.

The directors consider Deutsche Lufthansa AG, which heads the largest group for which group financial statements are prepared to be the ultimate parent and controlling party.

27. Subsequent Events

There are no subsequent events to report in these financial statements.