Gardner Group Limited

Annual report and consolidated financial statements

Registered number 04672639

Year ended 31 December 2021

Contents

Officials and professional advisers

Directors	P Visotschnig (Appointed 3 May 2022) LT Ford (Appointed 2 July 2021)
Secretary	PS Bon
Registered office	Unit 9, Victory Park Victory Road Derby DE24 8ZF
Company registration number	04672639
Bankers	National Westminster Bank 1 Princes Street London EC2R 8BP
Solicitors	BHW Solicitors 5 Grove Court Grove Park Enderby Leicestershire LE19 1SA
Auditors	RSM UK Audit LLP Chartered Accountants Rivermead House 7 Lewis Court Grove Park Leicester LE19 1SD

Strategic report

Background

Gardner Group Limited ("the Company") and its subsidiaries ("the Group") are members of the Gardner Aerospace Holdings Limited Group of Companies (the Gardner Group" / "Gardner"), one of Europe's largest suppliers of metallic aerospace detail parts and sub-assemblies to the aerospace industry with manufacturing facilities in the UK, France, Poland and India, and a new facility with certification approval underway in China.

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

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 2022 and 2023. This is a sector leadership position both operationally and strategically, within its detailed parts supply chain.

Future Outlook

As global travel restrictions have been progressively removed following the outbreak of Covid-19 in 2020, the near-term imperative is to remain positioned to benefit from the forecast rapid recovery in aircraft build rates and to pursue organic growth in the detailed parts sector and adjacent markets. In line with market consensus Gardner expects that sales volume will have recovered to 2019 levels by 2024/25.

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 2021 and further developments to support growth are planned in 2022 and 2023 across all our sites.

The key strategic aims remain: -

- Continued excellent service to all our customers;
- Diversification of customers and sub-sectors to mitigate against current significant Airbus concentration;
- Utilisation of our best cost footprint and increased automation to increase profitability and generate cashflow to repay debt;
- Support for customer demand to de-risk the supply chain through local supply and compatible services; across our global manufacturing footprint;
- A 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 acquisition strategy. The Group continues to assess acquisition opportunities to provide access to broader capability and additional capacity to accelerate growth in the medium to long term.

Strategic report *(continued)*

Pandemic Impact and Response

During 2021, transportation, and the commercial aerospace industry, in particular, continued to face the challenges from the on-going Covid-19 pandemic. Following decades of continued growth in aircraft build rates, aircraft build was halted for some periods of 2020 and build rates significantly reduced. During 2021 travel continued to be hindered by further Covid-19 variants.

In 2021 Gardner has been impacted as follows: -

- Due to the significant reduction in customer demand seen across all customers, Gardner utilised all available employment support schemes such as Job Retention Scheme in UK together with voluntary reductions in working hours in Poland. The UK scheme ended in September 2021. The Group's Polish workforce returned to full hours, and the India facility in Bengaluru suffered minimal disruption during 2021;
- Remote working and the adaption of operations to increase physical distancing between employees were all undertaken within government guidelines;
- Prudent steps were taken to mitigate and manage the Group's cash flow. This included a significant reduction in headcount, a salary increases freeze and adoption of available deferrals for government tax payments such as PAYE and VAT. In particular, Time to Pay arrangements with HMRC in the UK allowed £3.6 million of PAYE to be paid over a period to the end of 2023. Cash controls remain in place but following the completion of restructuring activities, recruitment to support growth has resumed;
- Delay of some planned capital expenditure, although the program has restarted where there is a requirement to add capacity in support future increases in build rates or automation to facilitate cost reduction.

Restructuring and planned recovery

Airbus, Boeing and the other aerospace primes typically supply long range forecasts to support business planning in the supply chain. These were withdrawn in Q2 2020 as the impacts of the pandemic began to be understood. Faced with this increased uncertainty, the Board undertook a comprehensive planning exercise in April 2020 using newly published industry analyst reports at this time. The Group based its revised forecast and Strategic Plan on the worst-case assumptions at this time which foresaw a recovery to 2019 levels of air travel in 2024/5.

This conservative and prudent demand forecast resulted in the Gardner Group undertaking a significant restructuring program with the aim of reducing capacity in UK and France and increasing the percentage of manufacturing being undertaken in Poland and India, thereby lowering future manufacturing costs and reducing the break-even point for Gardner to below 2020 exit production volumes. No manufacturing or treatment process capability was lost as a result of the restructuring plan, protecting Gardner's ability to support customers through the recovery of build rates cycle.

During 2020 and 2021, the following restructuring actions were taken: -

- Closure of 2 UK sites (Broughton and Hull) with Hull closing in 2020 and Broughton in Q2 2021;
- 664 roles eliminated with global headcount reducing to 1,256 by 30 June 2021, before recruitment to support sector recovery recommenced;
- Inclusive of production volume changes, reorganisation costs have contributed to a £17.4 million reduction in payroll costs compared to 2019 levels;
- 20% of the Groups total manufacturing hours (at current annualised build rates) were in the process of being transferred to Poland, India and China.

The Group's initial assessment of a recovery by 2024/5 continues to be a correct planning assumption with a forecast slow but consistent ramp in build rates beginning in 2021. However, as a subsequent number of Covid-19 variants continued to apply global travel restrictions the shape of the recovery is not as previously modelled. The recovery in 2021 was at a slower pace and in 2022 the world's economy was hit again by the Russian invasion of Ukraine, which caused energy prices to spike and created shortages in raw material supplies. This was compounded by unexpected COVID lockdowns in China that led to a slowdown in the world's second-largest economy and more supply chain disruption. Meanwhile, aviation's rebound was suppressed by widespread labour shortages, particularly in North America and Europe, that prompted flight delays and cancellations.

Strategic report *(continued)*

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

Despite these headwinds the Group has continued to prepare for the growth demands and accelerated ramp-ups forecast by its customers. In 2022 turnover has increased by 37% to £126 million and headcount has increased from 1,256 to 1,472 employees with all sites back to full-time working.

Planning for Growth and further Capability

The Group enjoys a strong contractual position on both the A320 and A350 families of aircraft.

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

The Group is also focused on increasing content on single aisle programs and other growing aircraft platforms such as A220 and Urban Air Mobility (UAM) to mitigate slower than expected recovery of international travel.

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

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

Significant Contractual Awards and Growth Opportunities

The Group considers that it is still well placed to gain from future contractual awards by Airbus and other strategic customers. While there has been a number of new requests for quotation coming to market, the decision-making cycle has been elongated as a result of the pandemic. During 2021, no significant packages were tendered by our strategic customers. Customer resources to manage supply chain change have been reduced and the risk appetite lowered by a need to not destabilise the aerospace supply chain.

During 2021, the Group were successful in renewing a significant number of their contracts due to mature in 2023. This has protected the contractual base of the business and secured revenues through until at least 2028.

In addition, the Group secured its first A220 contract in 2022.

There continues to be a strategic focus in developing customer and market diversification, with approximately 75% of the Group's output in 2021 being assembled into an Airbus aircraft. Market diversification efforts includes the provision of aerostructures to other aerospace markets like general aviation, business jets and eVTOL.

Strategic report *(continued)*

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

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Annual Sales Growth %	-9%	-46%	39%	19%
Gross Margin % sales	11%	9%	21%	23%
Profit before Tax % on sales	-41.44%	-23.5%	5%	8%
EBITDA pre exceptional items	£4.0 million	£1.1 million	£21.2 million	£17.6 million
Current Liquidity	0.96	0.97	0.83	0.87
Average net debt to EBITDA ratio	17.51	47.88	3.01	2.24
Return on Capital Employed	-32%	-15%	12%	17%

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

- Sales were down 9% as a consequence of the pandemic taking affect from Q2 FY20. Restructuring activities stabilised the cost base and as a result achieved an improvement in gross profit % despite lower volumes;
- Restructuring costs of £2.0 million and £1.4 million of other exceptional costs were incurred;
- Inclusive of production volume changes, payroll costs reduced by £2.3 million in the year (*31 December 2020: £15.1 million*) as a result of reorganisation;
- Intangible asset impairment of £23.3 million was provided for after reviewing the impact due to Covid-19 and the inflationary effects of the Russia/ Ukraine war on the recognition of goodwill, customer relationship intangible assets (£22.4 million) and development costs (£0.9 million);
- Government support to maintain jobs of £0.4 million was received (*31 December 2020: £5.3 million*);
- A higher average USD rate of 1.3775 in the year compared to a rate of 1.2885 for the period to 31 December 2020 although, this is largely mitigated by the currency hedges the Group had in place;
- Invoice discounting facilities increased by £12.2 million as a result of trading and early payment of debt in December 2020 that would normally be paid in 2021;
- Total borrowings, including invoice discounting facilities, increased by £14.5 million to £60.7 million. This included the drawdown of £7.5m of available facilities.
- An additional loan of £8.0 million was provided by the Gardner Aerospace Holding Ltd using funding received from the ultimate shareholder in response to requirements caused by Covid-19.

Strategic report *(continued)*

Financial Review and Key Performance Indicators *(continued)*

EBITDA pre exceptional costs on continuing activities (Earnings before interest, tax, depreciation, amortisation and investment income) increased to £4.0 million from £1.1 million.

The exceptional cost in the year was a net expense contributing to losses of £26.7 million *(Period ended 31 December 2020: net expense £10.1 million)*. This predominantly related to £23.3 million of asset impairment on intangible asset, £2.0 million of site closure costs, asset impairment and redundancies as part of the continued groupwide reorganisation action taken as a result of COVID-19 *(Period ended 31 December 2020: £8.6 million)*.

During the year a fire caused substantial damage to the treatments plant at the Tczew facility meaning business interruption and inventory losses were incurred. The £1.5 million cost to Gardner is treated as exceptional due to the nature of the fire being a one-off event. Gardner was able to mitigate any disruption to the customer by transferring manufacturing elsewhere within the Group. The insurance claim for the loss of business and assets is ongoing at the year end.

Finance charges for the year was a net payable of £4.9 million which is 88% more than in 2020 as a result of increased borrowing in particular invoice discounting and Group loans. The resulting loss before tax for 2021 was £38.1 million compared to a loss before tax of £23.6 million in the previous year. There is a tax charge of £2.4 million compared to a credit against losses of £1.8 million in 2020. The resulting loss of earnings at £40.5 million is £18.7 million worse compared to the £21.8 million loss in 2020 mainly driven by the impairment of the intangible assets.

The Current Liquidity ratio is at 0.96. Net current liabilities increased from £2.0 million to £3.3 million. The adverse movement in net current liabilities of £01.3 million is influenced by:

- Increased borrowings and reduced levels of cash;
- A higher proportion of invoice discounting facility to trade debtors due the early trade debtor receipts in 2020;
- A lower deferred tax asset as a result of a reduction in the recognition of tax loss utilisation;
- An increase in trade creditors;
- Negative fair value movements in derivative FX contracts.

Net assets decreased from £20.7 million to -£24.3 million during the year. Return on Capital Employed *(Defined as: Earnings before interest and tax / Average (Net Assets + Net Debt))* has improved from -15% to -32% which is the result of net earnings.

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 2021 the Group had undrawn committed facilities of £3.1 million *(31 December 2020: £16.0 million)* in addition to £3.0 million of cash *(31 December 2020: £6.6 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 Group Limited Financial Statements, the Directors are satisfied that it remains appropriate to prepare the Company Financial Statements on a going concern basis. However, the inherent uncertainties regarding the Shareholders ability to support both the on-going cash needs of the Group and the refinancing of the NatWest debt, represent material uncertainties that may cast significant 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 Limited ("GATL") have continued to be supportive of the Gardner Group providing Loans of £25 million in 2020, £8 million in 2021, £22.5 million in 2022 and a further £9 million in the first quarter of 2023.

LAT confirmed in a letter to the Directors dated 19 December 2022 that they will continue to support the reasonable on-going cash needs of the Company and its subsidiaries until the completion of refinancing. LAT will secure the minimum liquidity position of £5.0 million until September 2023 or the refinancing date, whichever date comes earlier, and confirmed approval to provide up to £18 million of additional funding to Gardner Group Limited. This includes payments of £3.0m million in each of the months January, February and March 2023. £9.0 million having been received to date.

An LAT shareholder meeting on 2 February 2023, approved the loan terms for the CNY 130m (circa £ 15.5 million) loan facility from Sichuan Development Holdings ("SDH") to LAT. Similarly, SDH has approved the overall loan facility, however, the drawdowns are subject to additional approvals. This funding is intended to cover the £9 million short-term cash support promised to Gardner Group Limited for the period from January to March 2023, as well as support for other LAT subsidiaries.

SDH is a significant shareholder of LAT. Since 2022 SDH have 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.

LAT have confirmed that they are currently in discussion with SDH for another loan agreement to cover Q2-2023, or alternatively discussions will be held with other investors to procure further funding. If the refinancing is achieved earlier, the level of the loans would be adjusted accordingly.

On 10 March 2023 LAT received approval from the State Administration of Foreign Exchange that allows £40.0 million to be transferred to Companies in the Gardner Group.

On 20 March 2023 LAT announced the signing of a loan contract with a member of the SDH Group of companies for CNY 350 million (circa £ 41.7 million).

LAT have confirmed that they in regular exchange with SDH regarding Gardner Group Limited refinancing, a process currently sponsored by SDH. SDH is progressing discussions with multi-national banks to provide replacement facilities, leading to a repayment in full of the NatWest term debt as a minimum.

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.

Additionally, through grant support, the Group has been able to explore new ways of working through its engagement in Industry 4.0 projects.

Environmental Policy

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

The Management of the Group seeks to minimise any adverse impact on the environment from all aspects of the Group's operations by means of environmentally sound disciplines, which take practical steps to control effectively or eliminate any known pollution risks, without entailing excessive cost. Specifically, capital expenditure is directed towards the replacement of hazardous materials with environmentally friendly alternatives, methods of minimising the environmental costs of disposal and recycling of waste and the reduction of energy consumption. The Group is installing solar panels at its facilities as a further step to reduce its carbon footprint and boost its energy resilience.

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. The wider group is not required to disclose its carbon reporting due to its size and that of its subsidiaries.

Employees

The Group 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.

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: 4 April 2023

Directors' report

The Directors present their report on the affairs of Gardner Group Limited and its subsidiary undertakings (the 'Group') and its parent company, Gardner Group Limited (the 'Company'), together with the financial statements and independent auditor's report, for the year ended 31 December 2021.

Share Capital and Control

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

Dividends

The Directors do not recommend the payment of a dividend *(Period ended 31 December 2020: £Nil).*

Section 172 Companies Act 2006.

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

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

It is the Directors' opinion that we have a robust business governance model and that throughout 2021, the directors had regard to the factors set out above in making the principal decisions taken by the company.

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

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

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

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

As a Group we are focused on environmental standards as laid out in the environmental policy on page 9 and are committed to fairness, equality and the health and wellbeing of our employees as laid out on page 9.

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

Directors' report *(continued)*

Directors

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

P Visotschnig (Appointed 3 May 2022)
LT Ford (Appointed 2 July 2021)

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.

Existence of subsidiaries outside the UK

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

Political contributions

The Company made no political donations during the year *(Period ended 31 December 2020: £Nil).*

Disclosure of information to auditors

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

Auditors
In accordance with section 489 of Companies Act 2006 a resolution for the appointment of RSM UK Audit LLP as auditors of the Company is proposed at the forthcoming Annual General Meeting.

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

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

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

P Visotschnig
Director
Date: 4 April 2023

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and parent company 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 Group and parent company and of the profit or loss of the Group for that year. In preparing each of the Group and parent company financial statements, the directors are required to:

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

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

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

Opinion

We have audited the financial statements of Gardner Group Limited (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the consolidated profit and loss account, the consolidated statement of other comprehensive (expense)/income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated cash flow statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 state of the Group's and of the parent company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent 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 1 in the financial statements, which indicates that the directors are assuming that the Group's Shareholders are able to continue to provide the necessary financial support to meet the Group's cash requirements such that the Group will maintain sufficient liquidity to remain within its existing external debt facilities through to their maturity in September 2023 and December 2023. We also draw attention to the directors' assumption, also set out in note 1, that the Group will be able to successfully refinance its existing facilities prior to these maturity dates. If the Shareholder was unable to provide sufficient support during this period, or the existing facilities are not refinanced successfully, the Group would need to obtain additional funding from current or alternative providers to continue as a going concern or seek alternative options such as a potential sale process of the Group in full or partially. As stated in note 1, these circumstances represent a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern as there is currently no agreed refinancing in respect of the existing facilities. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

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

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team and component auditors:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the Group and parent company operate in and how the Group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and evaluating advice received from external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to quality standards, health and safety and associated accreditations. We performed audit procedures to inquire of management and those charged with governance whether the Group is in compliance with these law and regulations and inspected board minutes and relevant correspondence with licensing and regulatory authorities.

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

The Group audit engagement team identified the risk of management override of controls and revenue cut off as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, and testing a sample of revenue transactions around the period end.

All relevant laws and regulations identified at a Group level and areas susceptible to fraud that could have a material effect on the consolidated financial statements were communicated to component auditors. Any instances of non-compliance with laws and regulations identified and communicated by a component auditor were considered in our group audit approach.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://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.

Mitul Raja

Mitul Raja (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Rivermead House
7 Lewis Court
Grove Park
Leicester
LE19 1SD

Date: 5 April 2023

Consolidated profit and loss account
for the year ended 31 December 2021

	Note	**Year ended 31 December 2021 £000**	Year ended 31 December 2020 £000
Turnover	*2*	**91,913**	100,504
Cost of sales		**(81,845)**	(91,683)
Gross profit		**10,068**	8,821
Administrative expenses		**(18,006)**	(26,289)
Exceptional items	*7*	**(26,737)**	(10,123)
Other operating income	*7*	**1,492**	6,550
Operating loss		**(33,183)**	(21,041)
Interest receivable and similar income	*5*	**654**	500
Interest payable and similar expenses	*6*	**(5,557)**	(3,101)
Loss before taxation	*7*	**(38,086)**	(23,642)
Taxation (charge) / credit	*8*	**(2,414)**	1,830
Loss for the financial year		**(40,500)**	(21,812)
Loss attributable to			
Shareholders of the parent company		**(40,500)**	(21,812)
Total loss		**(40,500)**	(21,812)

Consolidated other comprehensive (expense) / income
for the year ended 31 December 2021

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Loss for the year	**(40,500)**	(21,812)
Other comprehensive income / (loss)		
Foreign exchange loss on translation of foreign operations	**(2,916)**	(776)
Net (loss) / gain on cash flow hedge	**(2,210)**	787
Net gain on hedge of net investments in foreign operations	**718**	400
Other comprehensive (expense) / income for the year, net of income tax	**(4,408)**	411
Total comprehensive expense for the year	**(44,908)**	(21,401)

Consolidated balance sheet
at 31 December 2021

	Note	**31 December 2021**		31 December 2020	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets					
Goodwill	_9_	**330**		7,150	
Other intangibles	_9_	**4,185**		24,099	
			4,515		31,249
Tangible assets	_10_		**49,330**		51,359
			53,845		82,608
Current assets					
Stocks	_12_	**20,911**		19,162	
Debtors (including £22,541,000 _(31 December 2020: £20,656,000)_ due after more than one year)	_13_	**54,300**		44,613	
Cash at bank and in hand		**2,969**		6,598	
		78,180		70,373	
Creditors: amounts falling due within one year	_14_	**(81,476)**		(72,347)	
Net current liabilities			**(3,296)**		(1,974)
Total assets less current liabilities			**50,549**		80,634
Creditors: amounts falling due after more than one year	_15_		**(73,823)**		(56,920)
Provisions for liabilities	_20_		**(982)**		(3,062)
Net (liabilities) / assets			**(24,256)**		20,652
Capital and reserves					
Called up share capital	_23_		**1**		1
Share premium account			**9,995**		9,995
Foreign currency hedge reserve			**(1,463)**		747
Profit and loss account			**(32,789)**		9,909
Shareholder's funds			**(24,256)**		20,652

These financial statements were approved by the board of directors and authorised for issue on 4 April 2023 and were signed on its behalf by:

LT Ford
Director

Company registered number: 04672639

Company balance sheet
at 31 December 2021

	Note	31 December 2021		31 December 2020	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	*9*		**1,668**		1,428
Tangible assets	*10*		**6,454**		6,553
Investments	*11*		**55,912**		83,589
			64,034		91,570
Current assets					
Debtors (including £26,244,000 *(31 December 2020: £25,470,000)* due after more than one year)	*13*	**53,549**		34,357	
Cash at bank and in hand		**1,007**		1,827	
		54,556		36,184	
Creditors: amounts falling due within one year	*14*	**(83,663)**		(73,861)	
Net current liabilities			**(29,107)**		(37,677)
Total assets less current liabilities			**34,927**		53,893
Creditors: amounts falling due after more than one year	*15*	**(63,031)**		(45,295)	
Provisions for liabilities	*20*	-		(50)	
			(63,031)		(45,345)
Net (liabilities) / assets			**(28,104)**		8,548
Capital and reserves					
Called up share capital	*23*		**1**		1
Share premium account			**9,995**		9,995
Foreign currency hedge reserve			**(1,463)**		747
Profit and loss account			**(36,637)**		(2,195)
Shareholder's funds			**(28,104)**		8,548

The Company's loss for the year was £34,442,000 *(31 December 2020: £5,822,000)* and other comprehensive expense for the year was £2,210,000 *(Year ended 31 December 2020: Income £787,000)*.

These financial statements were approved by the board of directors and authorised for issue on 4 April 2023 and were signed on its behalf by:

LT Ford
Director

Company registered number: 04672639

Consolidated statement of changes in equity

	Called up share capital £000	Share premium account £000	Foreign currency hedge reserve £000	Profit and loss account £000	Total share holder's funds £000
Balance at 1 January 2020	1	9,995	(40)	32,097	42,053
Total comprehensive (expense) / income for the year					
Loss for the year	-	-	-	(21,812)	(21,812)
Other comprehensive income / (expense)					
Foreign exchange loss on translation of foreign operations	-	-	-	(776)	(776)
Net gain on hedge of net investments in foreign operations	-	-	-	400	400
Net gain on cash flow hedge	-	-	787	-	787
Balance at 31 December 2020	**1**	**9,995**	**747**	**9,909**	**20,652**

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

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

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

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

Company statement of changes in equity

	Called up share capital £000	Share premium account £000	Foreign currency hedge reserve £000	Profit and loss account £000	Total share holder's funds £000
Balance at 1 January 2020	1	9,995	(40)	3,627	13,583
Total comprehensive (expense) / income for the year					
Loss for the year	-	-	-	(5,822)	(5,822)
Other comprehensive income					
Net gain on cash flow hedge	-	-	787	-	787
Balance at 31 December 2020	**1**	**9,995**	**747**	**(2,195)**	**8,548**

	Called up Share Capital £000	Share premium account £000	Foreign currency hedge reserve £000	Profit and loss Account £000	Total share holder's funds £000
Balance at 1 January 2021	1	9,995	747	(2,195)	8,548
Total comprehensive (expense) / income for the year					
Loss for the year	-	-	-	(34,442)	(34,442)
Other comprehensive expense					
Net loss on cash flow hedge	-	-	(2,210)	-	(2,210)
Balance at 31 December 2021	**1**	**9,995**	**(1,463)**	**(36,637)**	**(28,104)**

Notes
(forming part of the financial statements)

1 Accounting policies

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

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

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

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

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

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

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

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

1.1. Measurement convention

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

1.2. Going concern

Background

Since 2019, the Gardner Group has continued to enjoy the support of its shareholder and its banks and has received £64.5 million in additional shareholder funding to support the trading and financial challenges the Group has faced. Like many businesses in the aerospace sector, the impact of Covid-19 on both global air travel and the economy in general has seen a material impact on the Group's business throughout 2020 and 2021, with full recovery to pre-pandemic levels not expected until 2024/5.

Aligned with a considerable fall in revenues over 2020 and 2021, there was a significant reduction in the Group's funding availability. The Group traditionally supports its working capital through an Asset Based Lending facility consequently a significant reduction in receivables since 2019 has been mirrored in lower funding availability.

Notes _(continued)_

1 Accounting policies _(continued)_

1.2. Going concern (continued)

With liquidity negatively impacted and the need to restructure the business, the Group obtained additional support from its banks, including National Westminster Bank PLC ("NatWest") the main secured senior lender to the Group, government backed lending schemes and its investors. During 2020, the Group were able to obtain new facilities of £15 million from UK government backed facilities, $31 million from its Shareholder, Ligeance Aerospace Technology Limited ("LAT"/ "Shareholder") and €12 million of French government backed loans. Additionally, the Group obtained revised amortisation profiles for its existing UK banking facilities.

To avoid further impact on its financial covenants from forecast ongoing suppressed trading in 2021 the Group obtained updates to its borrowing facilities for Gardner Group Limited ("GGL"), during 2021; loan capital repayments that were due in June 2021, were deferred by 12 months to June 2022 and £8.0 million of funding from the Group's shareholder was received. In addition, the Group agreed revised covenants in view of the further delay in recovery of air travel compared to the 2020 projections.

In 2022 the Group's results, liquidity and funding availability continued to be affected by slowing of demand and increasing costs caused by Covid-19 disruption of the supply chain. Furthermore, the outbreak of the Russia / Ukraine War in 2022 resulted in further production disruption and inflationary factors particularly affecting utilities, freight, and wage costs.

Current funding facilities

The Group is funded by a mixture of term loans, asset backed lending and Shareholder loans, including facilities from NatWest that mature in 2023 and particularly include two balloon payments for borrowings of £8.6 million in September 2023 and £17.8 million in December 2023.

The Group's facilities with NatWest are subject to financial covenants which, among others, required the business to meet its targets for EBITDA measured over the preceding 12 months on a quarterly basis. The negative impact on financial performance in the second half of 2021 and into 2022 resulted in a breach of its financial covenants triggering a default clause in its senior lending agreements at the end of the first quarter of 2022., in addition a minimum £5.0 million cash availability level set by the lending agreements for the consolidated Gardner Group Limited forecasts was also breached in future periods.

Based on cash availability forecasts the Shareholder confirmed in May 2022 that they would remedy the cash liquidity and provided additional funding of £10.0 million between May and July 2022.

The Group prepared further forecasts in July 2022, that highlighted further funding requirements through to 31 December 2022 to service debt repayments and provide for capital expenditure and working capital requirements to sustain growth. To maintain the £5.0 million cash availability level during this period the Shareholder provided a further £12.5 million of loans during the period September to December 2022.

The July 2022 management forecasts, which were reviewed by independent advisors, were designed to enable a reset of the UK banking covenants as well as assess a refinancing of the NatWest debt during 2023. As the Group requires Shareholder support to service the payment of NatWest debt on maturity, discussion with the NatWest and the Shareholder, focussed on maintaining liquidity through to a refinancing prior to September 2023.

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 Limited ("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 £9.0 million in 2023.

LAT confirmed in a letter to the Directors dated 19 December 2022 that they will continue to support the reasonable on-going cash needs of GGL and its subsidiaries until the completion of refinancing. LAT will secure the minimum liquidity position of £5.0 million until September 2023 or the refinancing date, whichever date comes earlier, and confirmed approval to provide up to £18 million of additional funding to GGL. This includes payments of £3.0 million in each of the months January, February and March 2023. £9.0 million having been received at the date the accounts have been signed.

An LAT shareholder meeting on 2 February 2023, approved the loan terms for the CNY 130m (circa £ 15.5 million) loan facility from Sichuan Development Holdings ("SDH") to LAT. Similarly, SDH has approved the overall loan facility, however, the drawdowns are subject to additional approvals. This funding is intended to cover the £9 million short-term cash support promised to GGL for the period from January to March 2023, as well as support for other LAT subsidiaries.

SDH is a significant shareholder of LAT. Since 2022 SDH have 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.

LAT have confirmed that they are currently in discussion with SDH for another loan agreement to cover Q2-2023, or alternatively discussions will be held with other investors to procure further funding. If the refinancing is achieved earlier, the level of the loans would be adjusted accordingly.

On 10 March 2023 LAT received approval from the State Administration of Foreign Exchange that allows £40.0 million to be transferred to Companies in the Gardner Group.

On 20 March 2023 LAT announced the signing of a loan contract with a member of the SDH Group of companies for CNY 350 million (circa £ 41.7 million).

LAT have confirmed that they in regular exchange with SDH regarding the GGL refinancing, a process currently sponsored by SDH. SDH is progressing discussions with multi-national banks to provide replacement facilities, leading to a repayment in full of the NatWest term debt as a minimum.

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

As there remains uncertainty regarding SDH's timing and approval for their support of a refinancing process the Directors have undertaken a process to investigate the sale of certain Non-Core assets, furthermore, preparatory documentation has been prepared to enable the partial or full divestment of the business if further support from LAT is not forthcoming. This contingency plan has been communicated with 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 Group Limited Financial Statements, the Directors are satisfied that it remains appropriate to prepare the Company Financial Statements on a going concern basis. However, the inherent uncertainties regarding the Shareholders ability to support both the on-going cash needs of Gardner Group Limited and the refinancing of the NatWest debt, represent material uncertainties that may cast significant 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. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2021. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

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

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

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

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

1.4. Foreign currency

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

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

Notes _(continued)_

1 Accounting policies _(continued)_

1.5. Classification of financial instruments issued by the Group

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

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

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

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

1.6. Basic financial instruments

Trade and other debtors / creditors

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

Interest-bearing borrowings classified as basic financial instruments

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

Cash and cash equivalents

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

1.7. Other financial instruments

Derivative financial instruments

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

Cash flow hedges

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.8. Tangible fixed assets

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

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

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

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

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

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

1.9. Intangible assets and goodwill

Goodwill

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

Research and development

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

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

Software

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

Other intangible assets

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.9. Intangible assets and goodwill (continued)

Amortisation

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

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

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

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

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

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

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

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

1.10. Discontinued operations

Discontinued operations are components of the Group that have been disposed of at the reporting date and previously represented a separate major line of business or geographical area of operation or were subsidiaries acquired exclusively with a view to resale.

They are included in the profit and loss account in a separate column for the current and comparative years, including the gain or loss on sale or impairment loss on abandonment.

1.11. Stocks

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.12. Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

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

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

Non-financial assets

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

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

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

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

1.13. Employee benefits

Defined contribution plans

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.14. Provisions

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

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

1.15. 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.

1.16. Expenses

Operating lease

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

Finance lease

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

Interest receivable, interest payable and other similar income and charges

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

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

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

1.17. Taxation

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

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

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

Notes _(continued)_

1 Accounting policies _(continued)_

1.17. Taxation (continued)

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

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

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

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

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

1.18. Exceptional items

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

2 Turnover

All continuing turnover originates from activity in the United Kingdom except for £8,288,000 turnover arising in Poland and India (_Year ended 31 December 2020: £7,221,000_).

An analysis of turnover by geographical destination is given below:

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
United Kingdom	**56,853**	46,697
Rest of Europe	**30,507**	45,914
Rest of World	**4,553**	7,893
	91,913	100,504

Notes *(continued)*

3 Staff numbers and costs

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

	Number of employees	
	Year ended 31 December 2021	Year ended 31 December 2020
Production	**1,120**	1,495
Administration	**166**	168
	1,286	1,663

At the year end the Group had 1,453 employees (Year-ended 31 December 2020: 1,279).

The aggregate payroll costs of these employees were as follows:

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Wages and salaries	**29,085**	30,804
Social security costs	**3,376**	3,833
Contributions to defined contribution plans (note 21)	**815**	952
	33,276	35,589

4 Directors' remuneration

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Directors' remuneration	**567**	535
Company contributions to money purchase pension plans	**22**	23

The aggregate of remuneration of the highest paid director was £235,000 *(Year ended 31 December 2020: £324,000)*, and Company pension contributions of £10,000 *(Year ended 31 December 2020: £13,000)* were made to a money purchase scheme on his behalf. Compensation for loss of office paid to directors during the period totalled £78,000 (*Year ended 31 December 2020: £Nil).*

	Number of directors	
	Year ended 31 December 2021	Year ended 31 December 2020
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**3**	2

Notes *(continued)*

5 Interest receivable and similar income

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Interest receivable from group undertakings	**654**	496
Other interest receivable	**-**	4
Total interest receivable and similar income	**654**	500

6 Interest payable and similar expenses

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Finance lease interest	**564**	615
Bank loans and invoice discounting facilities	**2,743**	1,737
Interest on shareholder loan	**1,946**	749
Interest payable to group undertakings	**144**	-
Other interest payable	**160**	-
Total other interest payable and similar charges	**5,557**	3,101

7 Loss before taxation

		Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
The loss before taxation is stated after charging / (crediting):			
Depreciation	- owned assets (note 10)	**4,527**	6,165
	- held under finance leases and hire purchase contracts (note 10)	**1,739**	1,596
Amortisation	- goodwill (note 9)	**945**	944
	- customer relationships (note 9)	**2,525**	2,526
	- other intangible fixed assets (note 9)	**728**	774
Loss on sale of intangible and tangible fixed assets		**-**	265
Fair value of foreign exchange contracts losses / (gains)		**1,045**	(480)
Foreign exchange (gains) / losses		**(1,435)**	1,706
Stock impairment (gains) / losses recognised in cost of sales (note 12)		**(130)**	185
Exceptional income		**(162)**	(1,399)
Exceptional costs		**26,899**	11,522
Operating lease rentals (note 24)		**2,795**	2,773
Other operating income - Research and Development Expenditure Credit		**(306)**	(1,276)
Other operating income - Government Grants (Coronavirus)		**(436)**	(5,274)
Other operating income - Merchandise Export Scheme		**(472)**	-
Other operating income – Profit on sale of intangible or tangible fixed assets		**(224)**	-
Other operating income - Sundry income		**(54)**	-

Notes *(continued)*

7 Loss before taxation *(continued)*

Exceptional (credit) / charge:

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Provision and cost of reorganisation	**2,029**	8,635
Intangible asset impairment- Goodwill	**22,447**	-
Intangible asset impairment- Development costs	**887**	-
Business interruption and recovery costs and inventory insurance losses arising from Consett fire	-	1,236
Gain from insurance proceeds relating to fixed assets arising from Consett fire	-	(1,399)
Business interruption and recovery costs and inventory insurance losses arising from Tczew fire	**1,523**	-
Airbus A380 contract impairment	-	729
Provision and cost of global IT improvements	-	922
Release of surplus IT improvement provisions	**(162)**	-
Other sundry expenses	**13**	-
	26,737	10,123

The majority of non-recurring costs are the ongoing costs of the site closures, asset impairment and redundancy programme as part of the groupwide reorganisation action taken as a result of COVID-19 which is substantially complete.

The impairment costs relate to a reassessment of future profitability of contracts arising on the acquisition of Northern Aerospace in 2018 and a reassessment of the carrying value of development costs based on the future profitability and remaining life of the contracts.

During the year a fire caused substantial damage to the treatments plant at the Tczew facility meaning business interruption and inventory losses were incurred. The cost to Gardner is treated as exceptional due to the nature of the fire being a one-off event. Gardner was able to mitigate any disruption to the customer by transferring interrupted work elsewhere within the Group. The insurance claim for the loss of business and assets is ongoing at the year end.

Auditor's remuneration:

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Audit services – statutory audit of parent and consolidated accounts	**240**	112
Amounts receivable by the Company's auditor and its associates in respect of:		
Taxation compliance services	-	22
Taxation advisory service	-	72
All other non-audit services	-	4

Notes *(continued)*

8 Taxation

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

	Year ended 31 December 2021		Year ended 31 December 2020	
	£000	**£000**	£000	£000
Current tax				
Current tax on income for the year		**-**		34
Adjustments in respect of prior periods		**(777)**		(861)
Foreign tax		**156**		310
Total current tax credit		**(621)**		(517)
Deferred tax (note 19)				
Origination and reversal of timing differences	**6,634**		(730)	
Adjustments in respect of prior periods	**(2,409)**		303	
Unused tax losses	**2,336**		-	
Effect of changes in tax rate	**(3,526)**		(886)	
Deferred tax not previously recognised	**-**		-	
Total deferred tax charge / (credit)		**3,035**		(1,313)
Total tax charge / (credit)		**2,414**		(1,830)

Reconciliation of effective tax rate

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Loss for the year	**(40,500)**	(21,812)
Total tax charge / (credit)	**2,414**	(1,830)
Loss excluding taxation	**(38,086)**	(23,642)
Tax using the UK corporation tax rate of 19.00% *(Year ended 31 December 2020: 19.00%)*	**(7,236)**	(4,492)
Deferred tax balance rate differences	**(3,526)**	(886)
Non-deductible expenses and income not taxable	**6,605**	501
Deferred tax previously unrecognised	**7,384**	3,551
R&D expenditure credit	**37**	128
Unused tax losses	**2,336**	-
Adjustments for prior years	**(3,186)**	(632)
Total tax charge / (credit) included in profit or loss	**2,414**	(1,830)

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 2021.

Notes _(continued)_

9 Intangible assets and goodwill

Group	Goodwill £000	Development costs £000	Software and other costs £000	Customer relationships £000	Total £000
Cost					
Balance at 1 January 2021	10,094	5,079	3,911	25,250	44,334
Additions	-	161	644	-	805
Disposals	-	-	-	-	-
Effect of movements in foreign exchange	-	-	(56)	-	(56)
Balance at 31 December 2021	**10,094**	**5,240**	**4,499**	**25,250**	**45,083**
Amortisation and impairment					
Balance at 1 January 2021	2,944	1,891	2,097	6,153	13,085
Amortisation for the year	945	240	488	2,525	4,198
Disposals	-	-	-	-	-
Impairment	5,875	887	-	16,572	23,334
Effect of movements in foreign exchange	-	-	(49)	-	(49)
Balance at 31 December 2021	**9,764**	**3,018**	**2,536**	**25,250**	**40,568**
Net book value					
At 31 December 2021	**330**	**2,222**	**1,963**	**-**	**4,515**
At 31 December 2020	7,150	3,188	1,814	19,097	31,249

Amortisation charge

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

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Administrative expenses	**4,198**	4,244
	4,198	4,244

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

Notes *(continued)*

9 Intangible assets and goodwill *(continued)*

Company	**Software and other costs £000**
Cost	
Balance at 1 January 2021	3,003
Additions	627
Balance at 31 December 2021	**3,630**
Amortisation and impairment	
Balance at 1 January 2021	1,575
Amortisation for the year	387
Balance at 31 December 2021	**1,962**
Net book value	
At 31 December 2021	**1,668**
At 31 December 2020	1,428

Amortisation charge

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

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Administrative expenses	**387**	428

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

Notes *(continued)*

10 Tangible fixed assets

Group	Short leasehold property £000	Freehold land and buildings £000	Plant and equipment £000	Total £000
Cost				
Balance at 1 January 2021	5,987	9,731	81,718	97,436
Additions	189	17	5,408	5,614
Disposals	(340)	-	(1,753)	(2,093)
Effect of movements in foreign exchange	(74)	(38)	(2,456)	(2,568)
Balance at 31 December 2021	**5,762**	**9,710**	**82,917**	**98,389**
Depreciation and impairment				
Balance at 1 January 2021	3,484	3,148	39,445	46,077
Depreciation charge for the year	558	339	5,369	6,266
Disposals	(293)	-	(1,753)	(2,046)
Effect of movements in foreign exchange	(34)	(6)	(1,198)	(1,238)
Balance at 31 December 2021	**3,715**	**3,481**	**41,863**	**49,059**
Net book value				
At 31 December 2021	**2,047**	**6,229**	**41,054**	**49,330**
At 31 December 2020	2,503	6,583	42,273	51,359

Included within plant and equipment are assets under construction of £2,569,000 *(31 December 2020: £2,850,000).*

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

Leased plant and machinery

At the year end the net carrying amount of plant and machinery leased under a finance lease was £15,707,000 *(31 December 2020: £16,662,000),* and the depreciation charged during the year in respect of these assets was £1,739,000 *(Year ended 31 December 2020: £1,596,000).* The leased equipment secures lease obligations (note 16).

Notes _(continued)_

10 Tangible fixed assets _(continued)_

**Company**

	Investment property £000	Plant and equipment £000	Total £000
Cost			
Balance at 1 January 2021	9,220	1,457	10,677
Additions – internally acquired	-	239	239
Additions – externally acquired	-	228	228
Disposals	-	(19)	(19)
Balance at 31 December 2021	**9,220**	**1,905**	**11,125**
Depreciation and impairment			
Balance at 1 January 2021	3,070	1,054	4,124
Depreciation charge for the year	321	226	547
Balance at 31 December 2021	**3,391**	**1,280**	**4,671**
Net book value			
At 31 December 2021	**5,829**	**625**	**6,454**
At 31 December 2020	6,150	403	6,553

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

Leased plant and machinery

At the year end the net carrying amount of plant and machinery leased under a finance lease was £Nil _(31 December 2020: £23,000)_, and the depreciation charged during the year in respect of these assets was £23,000 _(Year ended 31 December 2020: £16,000)_. The leased equipment secures lease obligations (note 16).

11 Fixed asset investments

**Principal Group investments**

The Company has investments in the following subsidiary undertakings:

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

Notes *(continued)*

11 Fixed asset investments *(continued)*

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

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

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

Company

	Investments in subsidiaries £000
Cost	
Balance at 1 January and 31 December 2021	**83,589**
Depreciation and impairment	
Balance at 1 January 2021	-
Impairment	27,677
Balance at 31 December 2021	**27,677**
Net book value	
At 31 December 2021	**55,912**
At 31 December 2020	83,589

Notes *(continued)*

12 Stocks

	Group	
	31 December 2021	31 December 2020
	£000	£000
Raw materials and consumables	**5,071**	5,397
Work in progress	**10,155**	7,037
Finished goods	**5,685**	6,728
	20,911	19,162

The write-down of stocks to net realisable value amounted to £638,000 *(Year ended 31 December 2020: £969,000)*. The reversal of write-downs amounted to £768,000 *(Year ended 31 December 2020: £784,000)*. The write-down and reversal are included in cost of sales.

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

13 Debtors

	Group		Company	
	31 December 2021	31 December 2020	**31 December 2021**	31 December 2020
	£000	£000	**£000**	£000
Trade debtors	**22,387**	12,791	**-**	-
Amounts owed by group undertakings	**18,792**	16,979	**52,661**	31,850
Deferred tax assets (note 19)	**5,960**	9,029	**17**	420
Taxation	**1,010**	832	**-**	121
Prepayments and accrued income	**6,151**	4,012	**871**	996
Other financial assets (note 18)	**-**	970	**-**	970
	54,300	44,613	**53,549**	34,357
Due within one year	**31,759**	23,957	**27,305**	8,887
Due after more than one year	**22,541**	20,656	**26,244**	25,470
	54,300	44,613	**53,549**	34,357

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

Notes *(continued)*

14 Creditors: amounts falling due within one year

	Group		Company	
	31 December 2021 £000	31 December 2020 £000	**31 December 2021 £000**	31 December 2020 £000
Bank overdrafts (note 16)	-	100	-	-
Bank loans (note 16)	**5,745**	7,396	**4,101**	3,857
Invoice discounting facility (note 16)	**14,331**	2,112	-	-
Prepaid facility costs (note 16)	**(1,160)**	(739)	**(1,160)**	(739)
Obligations under finance leases (note 16)	**3,108**	3,768	-	10
Trade creditors	**13,469**	11,899	**1,216**	2,213
Amounts owed to group undertakings	**32,346**	30,556	**74,916**	64,220
Corporation tax	-	-	-	-
Taxation and social security	**5,031**	7,716	**974**	1,506
Other creditors	**1,247**	1,466	**69**	58
Accruals and deferred income	**5,678**	8,073	**1,866**	2,736
Other financial liabilities (note 18)	**1,681**	-	**1,681**	-
	81,476	72,347	**83,663**	73,861

15 Creditors: amounts falling after more than one year

	Group		Company	
	31 December 2021 £000	31 December 2020 £000	**31 December 2021 £000**	31 December 2020 £000
Bank loans (note 16)	**31,037**	24,123	**28,197**	21,277
Prepaid facility costs (note 16)	**(870)**	(1,254)	**(870)**	(1,254)
Obligations under finance leases (note 16)	**6,511**	8,779	-	-
Taxation & social security	**1,926**	-	**486**	-
Amounts owed to group undertakings	**35,219**	25,272	**35,218**	25,272
	73,823	56,920	**63,031**	45,295
Due between one and five years	**73,823**	56,920	**63,031**	45,295

During 2021 the Directors welcomed the sustained support of the Ultimate Parent Company who provided Gardner with £8.0 million (*Year ended 31 December 2020: £25.0 million*) working capital funding to support the Group during the Coronavirus Pandemic. During 2022 a further £22.5 million funding was provided and a further £9.0 million has been provided in 2023.

Notes *(continued)*

16 Interest-bearing loans and borrowings

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

	Group		Company	
	31 December 2021 £000	31 December 2020 £000	**31 December 2021 £000**	31 December 2020 £000
Creditors falling due after more than one year				
Secured bank loans	**31,037**	24,123	**28,197**	21,277
Prepaid facility costs	**(870)**	(1,254)	**(870)**	(1,254)
Obligations under finance leases	**6,511**	8,779	**-**	-
	36,678	31,648	**27,327**	20,023

	Group		Company	
	31 December 2021 £000	31 December 2020 £000	**31 December 2021 £000**	31 December 2020 £000
Creditors falling due in less than one year				
Secured bank overdrafts	**-**	100	**-**	-
Secured bank loans	**5,745**	7,396	**4,101**	3,857
Invoice discounting facility	**14,331**	2,112	**-**	-
Prepaid facility costs	**(1,160)**	(739)	**(1,160)**	(739)
Obligations under finance leases	**3,108**	3,768	**-**	10
	22,024	12,637	**2,941**	3,128

Bank loan terms and debt repayment schedule

Group	**Currency**	**Nominal interest Rate**	**Year of maturity**	**Repayment schedule**	**31 December 2021 £000**	31 December 2020 £000
Term Loan (CLBILS)	Sterling	ICE Libor + 3.61%	2023	Quarterly	**15,000**	7,510
Term Loan	Sterling	ICE Libor + 2.25% -3.75%	2023	Quarterly	**11,321**	11,250
Term Loan	US Dollars	ICE Libor + 2.25% -3.75%	2023	Quarterly	**1,365**	1,392
Plant Loan	Sterling	ICE Libor + 2.00%	2023	Monthly	**3,257**	5,420
Property Loan	Sterling	ICE Libor + 2.00%	2023	Monthly	**3,973**	3,973
Term Loan	Zloty	2.2%	2022	Quarterly	**745**	884
Plant Loan	Rupee	REPO + 3.6%	2025	Quarterly	**1,121**	1,090
					36,782	31,519

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

Notes *(continued)*

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

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

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

During 2021 the Directors welcomed the sustained support of its Ultimate parent Company Ligeance Aerospace Technology Co. Limited ("LAT") who via its subsidiaries and Gardner Aerospace Holdings Limited provided the Company with £8.0 million *(31 December 2020: £25.0 million)* of working capital funding during the Coronavirus Pandemic. During 2022 and 2023 further funding of £22.5 million and £9.0 million respectively has been provided by LAT subsidiaries Ligeance Investments Limited and Gardner Aerospace Technology Limited to the Company and its subsidiaries.

Company	**Currency**	**Nominal interest Rate**	**Year of maturity**	**Repayment schedule**	**31 December 2021 £000**	31 December 2020 £000
Term Loan (CLBILS)	Sterling	ICE Libor + 3.61%	2023	Quarterly	**15,000**	7,510
Term Loan	Sterling	ICE Libor + 2.25% -3.75%	2023	Quarterly	**11,321**	11,250
Term Loan	US Dollars	ICE Libor + 2.25% -3.75%	2023	Quarterly	**1,365**	1,392
Plant Loan	Sterling	ICE Libor + 2.00%	2023	Monthly	**1,329**	1,699
Property Loan	Sterling	ICE Libor + 2.00%	2023	Monthly	**3,283**	3,283
					32,298	25,134

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Group		**Company**	
	31 December 2021 £000	31 December 2020 £000	**31 December 2021 £000**	31 December 2020 £000
Less than one year	**3,108**	3,768	-	10
Between one and five years	**6,511**	8,779	-	-
	9,619	12,547	-	10

Finance lease payments represent rentals payable by the Group for certain items of plant and machinery. Leases include purchase options at the end of the lease year, and no restrictions are placed on the use of the assets. The average lease term is 4 years (*31 December 2020: 4 years*). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The finance leases are secured by the related fixed assets. The nominal interest rate on the finance leases ranges from 2% to 7% above local bank rates. During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of £784,000 (*31 December 2020: £2,925,000*).

Notes _(continued)_

17 Secured assets

	Group		Company	
	31 December 2021 £000	31 December 2020 £000	**31 December 2021 £000**	31 December 2020 £000
Software (note 9)	**1,941**	1,814	**1,668**	1,428
Tangible fixed assets (note 10)	**46,478**	47,130	**6,454**	6,553
Stock (note 12)	**19,161**	18,272	**-**	-
Trade debtors (note 13)	**22,084**	12,791	**-**	-
Prepayments and accrued income (note 13)	**4,205**	4,012	**871**	996
Cash	**2,761**	5,145	**-**	-
	96,630	89,164	**8,993**	8,977

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

18 Other financial (liabilities) / assets

	Group		Company	
	31 December 2021 £000	31 December 2020 £000	**31 December 2021 £000**	31 December 2020 £000
Amounts falling due within one year				
Financial assets / (liabilities) held for trading (including derivatives)	**(1,681)**	970	**(1,681)**	970
	(1,681)	970	**(1,681)**	970

The fair value of the forward contracts is based on their listed market price at the year end.

Notes *(continued)*

19 Deferred tax assets and liabilities

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

	Group £000	Company £000
At 1 January 2021	9,029	420
Charged to profit and loss account	(3,035)	(403)
Foreign exchange effects recognised in other comprehensive income	(34)	-
At 31 December 2021	**5,960**	**17**

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	31 December 2021 £000	31 December 2020 £000	**31 December 2021 £000**	31 December 2020 £000	**31 December 2021 £000**	31 December 2020 £000
Accelerated capital allowances	**1,489**	1,152	**(15)**	(173)	**1,474**	979
Unused tax losses	**11,572**	11,626	**(1,130)**	-	**10,442**	11,626
Other	**8**	290	-	(238)	**8**	52
Acquired intangible fixed assets	-	-	**(3,628)**	(3,628)	**(3,628)**	(3,628)
Unused tax losses	-	-	**(2,336)**	-	**(2,336)**	-
Tax assets / (liabilities)	**13,069**	13,068	**(7,109)**	(4,039)	**5,960**	9,029

Company	Assets		Liabilities		Net	
	31 December 2021 £000	31 December 2020 £000	**31 December 2021 £000**	31 December 2020 £000	**31 December 2021 £000**	31 December 2020 £000
Accelerated capital allowances	**17**	253	-	-	**17**	253
Unused tax losses	-	268	-	-	-	268
Other	-	-	-	(101)	-	(101)
Tax assets / (liabilities)	**17**	521	-	(101)	**17**	420

In addition to the deferred tax asset above, the Group has additional unrecognised net corporation tax losses of £13,692,000 *(31 December 2020: £9,604,000)* and capital losses of £280,0001 *(31 December 2020: £280,000).*

Notes *(continued)*

20 Provisions for liabilities

Group	Onerous Contracts £000	Property £000	Restructuring £000	Other £000	Total £000
Balance at 1 January 2021	231	266	2,453	112	3,062
Provisions charged during the year	115	234	2,029	150	2,528
Provisions released during the year	-	-	-	(162)	(162)
Provisions used during the year	-	-	(4,446)	-	(4,446)
Balance at 31 December 2021	**346**	**500**	**36**	**100**	**982**

Restructuring provisions continue during 2021 primarily in relation to the restructure of the Group in response to COVID-19. The other provisions include employment liabilities.

The Company had no provisions *(Year ended 31 December 2020: £50,000)*

21 Employee benefits

The Group has made payments in the year totalling £815,000 *(Year ended 31 December 2020: £952,000)* to defined contribution pension schemes, the net assets of which are held in an independently administered fund. The pension cost charge represents the total contributions payable to the fund. At 31 December 2021 there were £117,000 *(Year ended 31 December 2020: £152,000)* of unpaid pension contributions.

22 Financial instruments

Carrying amount of financial assets and liabilities

The carrying amounts of the financial assets and liabilities include:

Group	31 December 2021 £000	31 December 2020 £000
Financial assets:		
Derivative instruments measured at fair value through profit or loss	-	970
Measured at amortised cost	41,179	29,770
Financial liabilities:		
Derivative instruments measured at fair value through profit or loss	(1,681)	-
Measured at amortised cost	146,659	121,550

Notes *(continued)*

23 Share capital

	31 December 2021 £000	31 December 2020 £000
Issued, called-up and fully paid:		
10,001 Ordinary shares of 10 pence each *(31 December 2020: 10,001)*	**1**	1

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

24 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		**Company**	
	31 December 2021 £000	31 December 2020 £000	**31 December 2021 £000**	31 December 2020 £000
Less than one year	**2,253**	2,664	**109**	122
Between one and five years	**12,124**	7,511	**137**	84
More than five years	**1,478**	2,641	**-**	-
	15,855	12,816	**246**	206

During the year £2,795,000 was recognised as an expense in the profit and loss account in respect of operating leases *(Year ended 31 December 2020: £2,773,000)*.

25 Commitments

Capital commitments: Contractual commitments to purchase tangible fixed assets at 31 December 2021 were £1,436,000 *(31 December 2020: £2,941,000)*. The Company had no capital commitments at the year end *(31 December 2020: £Nil)*.

Guarantees: At 31 December 2021 National Westminster Bank had issued customs comprehensive guarantees for £304,300 *(31 December 2020: £450,550)* for various group undertakings registered in the United Kingdom.

In order for subsidiary companies highlighted in Note 11 to take the audit exemption in Section 479A of the Companies Act 2006, the Company has guaranteed all outstanding liabilities of those subsidiary companies at 31 December 2021 until those liabilities are satisfied in full.

Notes *(continued)*

26 Related parties

Group

Identity of related parties with which the Group has transacted

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

Transactions with key management personnel

Key management personnel are the directors. Total compensation of key management personnel in the year amounted to £590,000 (*31 December 2020: £558,000*).

	Administrative expenses incurred from	
	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Key management personnel of the Company and its Group	**590**	**558**
	590	**558**

At the year end there were no balances outstanding with related parties (*31 December 2020: £Nil*).

27 Ultimate parent company and parent company of larger group

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

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.

The Company has taken advantage of the exemption contained within FRS 102 and has not disclosed transactions or balances with entities which form part of the Gardner Group Limited.