

Company registration number 12109077 (England and Wales)

HAMBLE AEROSTRUCTURES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

HAMBLE AEROSTRUCTURES LIMITED

COMPANY INFORMATION

Director R Chocarro Melgosa (Appointed 25 January 2022)

Company number 12109077

Registered office Kings Avenue
Hamble-Le-Rice
Southampton
Hampshire
United Kingdom
SO31 4NF

Auditor Azets Audit Services
Carnac Place
Cams Hall Estate
Fareham
Hampshire
United Kingdom
PO16 8UY

HAMBLE AEROSTRUCTURES LIMITED

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HAMBLE AEROSTRUCTURES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The director presents the strategic report for the year ended 31 December 2022.

Review of the business

The company recorded a loss before taxation of £4.8 million. Operating revenues were in line with expectation at £78.5 million; however, sales mix influenced by supply chain issues combined with significant inflationary pressure had a significant detrimental effect on profit numbers.

The aeronautical sector was one of the sectors most strongly affected by the crisis unleashed by COVID-19. 2022 has been a year of recovery for the sector. World air traffic has increased significantly compared to the previous year, although it has not yet reached 2019 levels. On the other hand, the war in Ukraine has increased supply disruptions, material and energy costs. This inflationary environment has affected profitability of the Group's programs and activities.

In 2023, the recovery of air traffic will continue, although it is not expected to reach the level prior to the crisis until 2024. The forecasts of all manufacturers include increasing the deliveries of aircraft in all models, in response to the growing demand from airlines, as a result of the recovery of traffic and the renewal of the fleet.

Despite the impact of COVID-19 on demand and the lagging supply chain ramp-up, Hamble have started to see a relative increase in its civil orderbook whilst maintaining a relatively healthy defense and military backlog also supported by RTW and spares, and generally customer relationships remain strong. Additionally, Hamble, working with other strategic partners and supported by the Group, maintain a level investment in key R&D areas to protect the position in the market and position the business for future opportunities. Notably, Hamble has an initial agreement with a customer to support the development of a new trainer aircraft for the military market.

Principal risks and uncertainties

During the period, the Group has maintained active risk management policies aimed at mitigating the Group's exposure to the main risks associated with its activity. The main measures that the Group uses to control exposure to these risks are detailed below:

Currency risk

The Group is exposed to currency fluctuations. There is a risk of variation in the margin generated on sales from the time of sale until collection, and risk on the amounts of purchases made in US dollars, mainly raw materials. The Group's policy is not to maintain open positions, contracting foreign exchange insurance both for balance positions and for future income.

Interest rate risk

Part of the Group's financing operations are indexed to Euribor or Libor, so the financial cost is subject to the variation of these indices. The Group recurrently analyses the advisability of making interest rate hedges to mitigate this risk.

Liquidity risk

The Group carries out prudent liquidity risk management, based on obtaining Institutional Financing for investments in long-term programs, complementing it with bank financing or long-term debt issues. Additionally, the provision of other working capital financing instruments such as lines of credit with large undrawn limits, factoring that allows advance collections from customers and confirming that helps manage payments to suppliers, allows maintaining a good cash position. After the refinancing carried out in February 2020, the Group has significantly lengthened the debt amortisation profile, reducing liquidity risk.

HAMBLE AEROSTRUCTURES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Key performance indicators

Performance during the year is set out in the table below:

	2022	2021	
	£'000	£'000	Comment
Turnover	78,479	74,508	In line with overall target albeit with a different (vs budget) sales mix.
Inventories	29,447	30,739	
Trade receivables	3,274	6,035	
Trade payables	10,644	5,316	
Order book	304,000*	280,000*	*Three-year budget

Significant focus is put on working capital, in particular receivables, payables and inventories to drive better cash conversion.

The order book position is also considered a key indicator of the health of the business.

Other performance indicators

Other key performance indicators monitored are on time delivery, quality escapes and health and safety at work.

Performance during the year is set out in the table below:

	2022	2021	Comment
On-time deliveries	94%	98%	Unprecedented worldwide supply chain issues impacted delivery, particularly in Q3 & Q4 of 2022.
Quality escapes	12	10	Active deployment of APQP commencing in 2023 in line with ANN model and EN9145, including QSR (Quality Escape) eradication project.
Recordable EHS (Environmental, Health and Safety) instances	2	8	Focus on continuous improvement of health and safety initiatives.

Section 172(1) statement

Promoting the success of the company

The directors of Hamble Aerostructures Limited act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

HAMBLE AEROSTRUCTURES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Employees

The success of the company is reliant on all of our employees, whether they work on the shop floor or in the offices - everyone plays their part. Therefore, it is important for all employees to feel valued and understand what we are trying to achieve.

Employee feedback is welcomed and listened to, and regular meetings are held with employees about the direction of the company, which is especially important since becoming part of the Aernnova Group, and the efficiencies we are striving for to bring the company in line with the rest of the Group.

Performance reviews are also held with employees to help them develop. The company has a track record of doing this, with a number of senior staff having joined as apprentices many years ago. There is also the option of transferring to different departments within the company to help employees develop their skills in other areas of the business.

Suppliers

We have many global suppliers which we rely on heavily to provide the raw materials that enable us to produce parts for the numerous programmes we have running and meet customer demands, which can be subject to fluctuations.

Therefore, we place great value on our relationships with our suppliers and enter into long-term agreements with them where appropriate and pay their invoices promptly to promote a positive business relationship. We actively communicate with our suppliers to ensure the supply chain is running effectively and raw materials are delivered in accordance with our production plans.

Customers

The majority of our trade is derived from long-term build programmes with customers, therefore, maintaining our strong relationships with them is essential to the long-term success of the company.

A fundamental part of this relates to on-time deliveries and quality escapes, so these statistics are regularly monitored internally and there is a constant strive for improvement. As shown under other performance indicators above, on-time deliveries stood at 94% in 2022. We are focusing on improving our processes and quality control to reduce the number of quality escapes.

On behalf of the board

R Chocarro Melgosa
Director

28 September 2023

HAMBLE AEROSTRUCTURES LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The director presents his annual report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the company continued to be that of the development and manufacture of aircraft structures.

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid. The director does not recommend payment of a final dividend.

Director

The director who held office during the year and up to the date of signature of the financial statements was as follows:

J I Lopez Gandasegui

(Resigned 25 January 2022)

R Chocarro Melgosa

(Appointed 25 January 2022)

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company's continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The company's policy is to consult and discuss with employees at meetings matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

There is no employee share scheme at present, however, there is a bonus scheme in place to further encourage the involvement of employees in the company's performance.

Auditor

In accordance with the company's articles, a resolution proposing that Azets Audit Services be reappointed as auditor of the company will be put at a General Meeting.

Energy and carbon report

The company's energy and carbon information has not been included, as it has already been included in the ultimate parent company's non-financial information statement for the group.

HAMBLE AEROSTRUCTURES LIMITED

DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Statement of director's responsibilities

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to:

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

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of financial risk management, future developments, research and development activities and engagement with suppliers, customers and others.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

R Chocarro Melgosa
Director

28 September 2023

HAMBLE AEROSTRUCTURES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF HAMBLE AEROSTRUCTURES LIMITED

Opinion

We have audited the financial statements of Hamble Aerostructures Limited (the 'company') for the year ended 31 December 2022 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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 director is 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 our audit:

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

HAMBLE AEROSTRUCTURES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF HAMBLE AEROSTRUCTURES LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the director's report.

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

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

Responsibilities of director

As explained more fully in the director's responsibilities statement, the director is 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 director determines 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 director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

HAMBLE AEROSTRUCTURES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF HAMBLE AEROSTRUCTURES LIMITED

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. We determined that the most significant legal and regulatory frameworks that are applicable to the entity include Environment, Health and Safety and quality compliance. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of provisions, journal entries and other adjustments for appropriateness using data analytics, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias;
- Performing analytical procedures to support the testing of detail to identify unusual or unexpected relationships and transactions.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Use of our report

This report is made solely to the company's member 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 member, those matters we are required to state to the member 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 member, for our audit work, for this report, or for the opinions we have formed.

James Reilly ACCA (Senior Statutory Auditor)
For and on behalf of Azets Audit Services

28 September 2023

Chartered Accountants
Statutory Auditor

Carnac Place
Cams Hall Estate
Fareham
Hampshire
United Kingdom
PO16 8UY

HAMBLE AEROSTRUCTURES LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

		2022	2021
	Notes	£	£
Revenue	3	78,479,444	74,508,028
Cost of sales		(51,959,775)	(52,161,842)
Gross profit		26,519,669	22,346,186
Administrative expenses		(28,115,196)	(16,326,154)
Other operating income		1,239,579	259,178
Operating (loss)/profit	4	(355,948)	6,279,210
Investment income	7	2,668	-
Finance costs	8	(4,404,338)	(4,250,107)
(Loss)/profit before taxation		(4,757,618)	2,029,103
Tax on (loss)/profit	9	2,961,024	(990,816)
(Loss)/profit for the financial year		(1,796,594)	1,038,287

HAMBLE AEROSTRUCTURES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	2021 £
(Loss)/profit for the year	(1,796,594)	1,038,287
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Tax relating to items not reclassified	345,493	672,097
Items that may be reclassified to profit or loss		
Cash flow hedges:		
- Hedging (loss)/gain arising in the year	(3,536,520)	21,346
- Hedging gain/(loss) reclassified to profit or loss	2,154,550	(3,529,505)
Total items that may be reclassified to profit or loss	(1,381,970)	(3,508,159)
Total other comprehensive income for the year	(1,036,477)	(2,836,062)
Total comprehensive income for the year	(2,833,071)	(1,797,775)

HAMBLE AEROSTRUCTURES LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
Non-current assets					
Negative goodwill	10	(54,750,375)		(62,479,839)	
Property, plant and equipment	11	62,240,546		64,865,224	
Investments		-		1	
			<u>7,490,171</u>		<u>2,385,386</u>
Current assets					
Inventories	12	29,447,466		30,739,216	
Trade and other receivables	13	4,601,245		6,491,255	
Cash and cash equivalents		4,598,939		2,435,637	
		<u>38,647,650</u>		<u>39,666,108</u>	
Current liabilities	14	<u>(60,627,337)</u>		<u>(39,666,464)</u>	
Net current liabilities			<u>(21,979,687)</u>		<u>(356)</u>
Total assets less current liabilities			<u>(14,489,516)</u>		<u>2,385,030</u>
Provisions for liabilities					
Deferred tax liabilities	16	(5,078,347)		(8,384,863)	
Other provisions	17	(24,374,674)		(35,109,633)	
		<u>(43,942,537)</u>		<u>(41,109,466)</u>	
Net liabilities			<u>(43,942,537)</u>		<u>(41,109,466)</u>
Equity					
Called up share capital	20	60,000		60,000	
Hedging reserve	21	(1,105,816)		(69,339)	
Retained earnings		(42,896,721)		(41,100,127)	
		<u>(43,942,537)</u>		<u>(41,109,466)</u>	
Total equity			<u>(43,942,537)</u>		<u>(41,109,466)</u>

The financial statements were approved by the board of directors and authorised for issue on 28 September 2023 and are signed on its behalf by:

R Chocarro Melgosa
Director

Company registration number 12109077

HAMBLE AEROSTRUCTURES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Hedging reserve	Retained earnings	Total
	£	£	£	£
Balance at 1 January 2021	60,000	2,766,723	(42,138,414)	(39,311,691)
Year ended 31 December 2021:				
Profit for the year	-	-	1,038,287	1,038,287
Other comprehensive income:				
Cash flow hedges gains	-	21,346	-	21,346
Gains reclassified to profit or loss	-	(3,529,505)	-	(3,529,505)
Tax relating to other comprehensive income	-	672,097	-	672,097
Total comprehensive income for the year	-	(2,836,062)	1,038,287	(1,797,775)
Balance at 31 December 2021	60,000	(69,339)	(41,100,127)	(41,109,466)
Year ended 31 December 2022:				
Loss for the year	-	-	(1,796,594)	(1,796,594)
Other comprehensive income:				
Cash flow hedges gains	-	(3,536,520)	-	(3,536,520)
Gains reclassified to profit or loss	-	2,154,550	-	2,154,550
Tax relating to other comprehensive income	-	345,493	-	345,493
Total comprehensive income for the year	-	(1,036,477)	(1,796,594)	(2,833,071)
Balance at 31 December 2022	60,000	(1,105,816)	(42,896,721)	(43,942,537)

HAMBLE AEROSTRUCTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Hamble Aerostructures Limited is a private company limited by shares incorporated in England and Wales. The registered office is Kings Avenue, Hamble-Le-Rice, Southampton, Hampshire, United Kingdom, SO31 4NF. The company's principal activities and nature of its operations are disclosed in the director's report.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, except for the revaluation of . The principal accounting policies adopted are set out below.

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions from the requirements of IFRS:

- inclusion of an explicit and unreserved statement of compliance with IFRS;
- presentation of a statement of cash flows and related notes;
- disclosure of the objectives, policies and processes for managing capital;
- disclosure of key management personnel compensation;
- disclosure of the categories of financial instrument and the nature and extent of risks arising on these financial instruments;
- the effect of financial instruments on the statement of comprehensive income;
- comparative period reconciliations for the number of shares outstanding and the carrying amounts of property, plant and equipment and intangible assets;
- disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- comparative narrative information;
- for financial instruments measured at fair value and within the scope of IFRS 13, the valuation techniques and inputs used to measure fair value, the effect of fair value measurements with significant unobservable inputs on the result for the period and the impact of credit risk on the fair value; and
- related party disclosures for transactions with the parent or wholly owned members of the group.

Where required, equivalent disclosures are given in the group accounts of Aernnova Aerospace Corporation, S.A. The group accounts of Aernnova Aerospace Corporation, S.A. are available to the public and can be obtained as set out in note 23.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Hamble Aerostructures Limited is a wholly owned subsidiary of Aernnova Aerospace, S.A.U. and the results of Hamble Aerostructures Limited are included in the consolidated financial statements of Aernnova Aerospace Corporation, S.A. which are available from the Commercial Register of Álava (Spain), Book 1242, Volume 210, Sheet VI-11396.

HAMBLE AEROSTRUCTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

1.2 Going concern

The director has at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, taking into account anticipated demand, forecast performance of activities and estimated cashflows expected for the coming years, fulfilment of which depends on the recovery from the COVID-19 pandemic within the aerospace industry, and the ongoing support of the parent company. Thus the director continues to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer in exchange for fulfilling its performance obligations.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

The company recognises revenue from the following major sources:

- Development and manufacture of aircraft structures
- Repair and overhaul work

Development and manufacture of aircraft structures

Revenue from the development and manufacture of aircraft structures is derived from contracts for long-term build programmes. The contracts are for the manufacture of a certain number of shipsets and in each shipset are a number of deliverables. The contracted revenue for each shipset is allocated across each deliverable and revenue is recognised when a deliverable is dispatched to the customer as this is when the performance obligations are considered to have been met.

Repair and overhaul work

Revenue from repair and overhaul work is recognised when the parts are dispatched to the customer as this is when the performance obligations are considered to have been met. An estimate is provided to the customer when the parts are received into the workshop and work will commence once the estimate has been accepted by the customer. The consideration is based on this estimate.

1.4 Goodwill

Negative goodwill represents the excess of the fair value of net assets acquired over the cost of acquisition of the business.

The gain on a bargain purchase is recognised on the statement of financial position at the date of the acquisition. The excess up to the fair value of the non-monetary assets acquired is then released to the income statement in the periods in which the non-monetary assets are recovered. Any excess exceeding the fair value of non-monetary assets acquired is the released to the income statement in the periods expected to be benefited.

Therefore, as a result of the above, negative goodwill is currently being released to the income statement over 10 years on a straight line basis.

HAMBLE AEROSTRUCTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

1.5 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	9-35 years on a straight line basis
Plant and equipment	2-33% on a straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.6 Non-current investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.7 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Inventories held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

HAMBLE AEROSTRUCTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies **(Continued)**

Cost is calculated using the standard cost method.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

1.9 Cash and cash equivalents

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

1.10 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognised initially at fair value and any transaction costs are recognised in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in profit or loss, and is included within finance income or finance costs in the statement of income for the reporting period in which it arises.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

Financial assets at fair value through other comprehensive income

Debt instruments are classified as financial assets measured at fair value through other comprehensive income where the financial assets are held within the company's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument measured at fair value through other comprehensive income is recognised initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to profit or loss when the debt instrument is derecognised.

HAMBLE AEROSTRUCTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets carried at amortised cost and FVOCI are assessed for indicators of impairment at each reporting end date.

The expected credit losses associated with these assets are estimated on a forward-looking basis. A broad range of information is considered when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.11 Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.12 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.13 Derivatives

The company enters into foreign exchange forward contracts in order to manage its exposure to foreign exchange risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are classified as current.

1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

HAMBLE AEROSTRUCTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.15 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event and it is probable that the company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provision for onerous contracts

The provision for onerous contracts is recognised when it is probable that the total estimated costs of the contract exceed total revenue. The provision is based on the estimated present value of the free cash flows in relation to the remainder of the contract term.

Provision for liquidated damages

The provision for liquidated damages relates to claims in relation to late deliveries and concessions, which is estimated based on management information and discussions with customers.

HAMBLE AEROSTRUCTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.16 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.17 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.18 Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment, apart from those that meet the definition of investment property.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

1.19 Grants

Government grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants will be received.

1.20 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

HAMBLE AEROSTRUCTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Critical accounting estimates and judgements

In the application of the company's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

Standard costing of inventories

The cost of inventories is calculated using the standard cost method. Included in standard cost, is the average cost of materials, as well as an allowance for labour and overhead costs. These allowances require management's judgement, as the labour and overhead rates are based on budgeted labour and overhead costs, as well as budgeted labour hours, for the financial year. The calculation of the standard hours required for each part, for which the labour and overhead rates are applied to, also requires management's judgement.

Inventory provision

Inventories are valued at the lower cost and net realisable value. Net realisable value includes, where necessary, provisions for slow-moving and obsolete inventories. Calculation of these provisions requires judgements to be made, which include a review of the ageing of inventories, purchase orders from customers, sales forecasts, inventories required for new and future programs and recent sales volumes of individual parts.

Provision for onerous contracts

A provision for onerous contracts is included in the financial statements for the loss-making contracts with customers. This is based on the present value of the free cash flows in relation to the contracts and requires management's judgement in calculating expected future costs attributable to the contracts and the discount factor applied. The provision is updated annually for changes in assumptions, for example, changes in the number of shipsets required by the customer each year.

Provision for liquidated damages

A provision for liquidated damages is included in the financial statements for customer claims for late deliveries and concessions. These claims are made following the completion of a calendar year, so the calculation of the provision requires management's judgement to estimate the future claims payable in relation to the current financial year. The calculation is based on management information in respect of late deliveries and concessions and following discussions with customers.

Key sources of estimation uncertainty

Useful economic life of negative goodwill

The useful economic life of the negative goodwill recorded in the financial statements has been estimated based on the expected useful economic lives of the property, plant and equipment acquired as part of the business purchase agreement. This is subject to estimation uncertainty due to the variation of the useful economic lives of the property, plant and equipment acquired. This has a direct impact on the amortisation credited to the income statement.

Useful economic lives of property, plant and equipment

The useful economic lives of the property, plant and equipment recorded in the financial statements have been estimated based on the expected number of years the economic benefits will be received for each asset, whilst also taking into account any estimated residual value. Therefore, the useful lives are subject to estimation uncertainty. This has a direct impact on the depreciation charged to the income statement.

HAMBLE AEROSTRUCTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Critical accounting estimates and judgements (Continued)

3 Revenue

	2022	2021
	£	£
Revenue analysed by class of business		
Development and manufacture of aircraft structures	69,507,321	65,736,316
Repair and overhaul work	8,972,123	8,771,712
	<u>78,479,444</u>	<u>74,508,028</u>
	2022	2021
	£	£
Revenue analysed by geographical market		
Great Britain	17,412,091	13,856,232
Rest of Europe	52,596,639	52,636,597
North America	7,425,311	7,098,579
Asia	2,082	359,337
Middle East	415,864	348,402
Oceania	542,655	172,199
Africa	84,802	36,682
	<u>78,479,444</u>	<u>74,508,028</u>
	2022	2021
	£	£
Other income		
Grants received	866,704	250,457
	<u>866,704</u>	<u>250,457</u>

Grants received relate to Government grants in relation research and development projects (2021 - Coronavirus Job Retention Scheme).

4 Operating (loss)/profit

	2022	2021
	£	£
Operating (loss)/profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	7,007,763	(4,865,142)
Research and development costs	453,586	176,266
Government grants	(866,704)	(250,457)
Depreciation of property, plant and equipment	5,121,530	5,342,880
Loss/(profit) on disposal of property, plant and equipment	21,448	(6,000)
Release of negative goodwill to income	(7,729,465)	(7,729,465)
Cost of inventories recognised as an expense	46,935,805	42,903,129
	<u>46,935,805</u>	<u>42,903,129</u>

The release of negative goodwill to income is included within administration expenses.

HAMBLE AEROSTRUCTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

5 Auditor's remuneration

	2022	2021
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	88,500	75,000
For other services		
Tax services	55,000	10,000
Other services	7,500	7,000
Total non-audit fees	62,500	17,000

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022	2021
	Number	Number
Senior management	4	3
Management	76	58
Office	66	79
Shop floor	386	391
Total	532	531

Their aggregate remuneration comprised:

	2022	2021
	£	£
Wages and salaries	20,275,796	19,513,566
Social security costs	1,953,496	1,744,630
Pension costs	1,658,284	1,747,832
	23,887,576	23,006,028

7 Investment income

	2022	2021
	£	£
Interest income		
Interest on bank deposits	2,668	-

HAMBLE AEROSTRUCTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

8 Finance costs

	2022	2021
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	650,491	205,147
Interest payable to group undertakings	1,084,526	733,673
Interest on other loans	1,839	-
	<u>1,736,856</u>	<u>938,820</u>
Other finance costs:		
Unwinding of discount on provisions	2,667,482	3,311,287
Total finance costs	<u>4,404,338</u>	<u>4,250,107</u>

9 Taxation

	2022	2021
	£	£
Deferred tax		
Origination and reversal of temporary differences	(945,085)	(1,308,450)
Changes in tax rates	-	2,342,261
Adjustment in respect of prior periods	129,497	-
Tax losses carried forward	(2,145,436)	(42,995)
	<u>(2,961,024)</u>	<u>990,816</u>

The charge for the year can be reconciled to the (loss)/profit per the income statement as follows:

	2022	2021
	£	£
(Loss)/profit before taxation	<u>(4,757,618)</u>	<u>2,029,103</u>
Expected tax (credit)/charge based on a corporation tax rate of 19.00% (2021: 19.00%)	(903,947)	385,530
Effect of expenses not deductible in determining taxable profit	23,750	12,519
Effect of change in UK corporation tax rate	(741,726)	2,017,914
Deferred tax adjustments in respect of prior years	129,497	-
Fixed asset differences	(1,468,598)	(1,425,147)
Taxation (credit)/charge for the year	<u>(2,961,024)</u>	<u>990,816</u>

HAMBLE AEROSTRUCTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

9 Taxation (Continued)

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2022 £	2021 £
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	(345,493)	(672,097)

10 Intangible fixed assets

	Negative goodwill £
Cost	
At 31 December 2021	(77,294,647)
At 31 December 2022	(77,294,647)
Amortisation and impairment	
At 31 December 2021	(14,814,808)
Charge for the year	(7,729,465)
At 31 December 2022	(22,544,272)
Carrying amount	
At 31 December 2022	(54,750,375)
At 31 December 2021	(62,479,839)

Negative goodwill is being released to administrative expenses in the income statement over a 10-year period, with the remaining period being 7 years and 1 month.

11 Property, plant and equipment

	Freehold land and buildings £	Assets under construction £	Plant and equipment £	Total £
Cost				
At 1 January 2022	42,751,967	-	32,569,241	75,321,208
Additions	1,526,925	-	1,039,376	2,566,301
Disposals	-	-	(186,809)	(186,809)
Transfers	1,237,427	-	(1,237,427)	-
At 31 December 2022	45,516,319	-	32,184,381	77,700,700

HAMBLE AEROSTRUCTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

11 Property, plant and equipment (Continued)

	Freehold land and buildings £	Assets under construction £	Plant and equipment £	Total £
Accumulated depreciation and impairment				
At 1 January 2022	3,359,225	-	7,096,759	10,455,984
Charge for the year	1,931,767	-	3,189,763	5,121,530
Eliminated on disposal	-	-	(117,360)	(117,360)
Transfers	163,743	-	(163,743)	-
At 31 December 2022	5,454,735	-	10,005,419	15,460,154
Carrying amount				
At 31 December 2022	40,061,584	-	22,178,962	62,240,546
At 31 December 2021	39,392,742	-	25,472,482	64,865,224

12 Inventories

	2022 £	2021 £
Raw materials	14,508,191	16,334,313
Work in progress	11,887,126	10,536,264
Finished goods	3,052,149	3,868,639
	29,447,466	30,739,216

13 Trade and other receivables

	2022 £	2021 £
Trade receivables	3,273,719	6,034,909
VAT recoverable	89,748	-
Other receivables	944,058	438,501
Prepayments and accrued income	293,720	17,845
	4,601,245	6,491,255

HAMBLE AEROSTRUCTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

14 Liabilities

	Notes	2022 £	2021 £
Trade and other payables	15	59,152,916	38,119,682
Taxation and social security		-	727,591
Derivative financial instruments		1,474,421	92,451
Deferred income	18	-	726,740
		<u>60,627,337</u>	<u>39,666,464</u>

15 Trade and other payables

	2022 £	2021 £
Trade payables	10,643,555	5,315,696
Amount owed to parent undertaking	35,427,469	9,541
Amounts owed to fellow group undertakings	2,956,239	20,757,722
Accruals and deferred income	7,343,144	9,766,126
Other payables	2,782,509	2,270,597
	<u>59,152,916</u>	<u>38,119,682</u>

The amounts owed to group undertakings are unsecured, interest-bearing at a rate of 3.8% per annum and there are no fixed repayment terms.

16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Accelerated capital allowances £	Tax losses £	Revaluation of derivatives £	Total £
Liability at 1 January 2021	11,494,596	(4,077,436)	648,985	8,066,145
Deferred tax movements in prior year				
Charge/(credit) to profit or loss	2,321,423	(1,330,607)	-	990,816
Charge/(credit) to other comprehensive income	-	-	(672,098)	(672,098)
Liability at 1 January 2022	13,816,019	(5,408,043)	(23,113)	8,384,863
Deferred tax movements in current year				
Charge/(credit) to profit or loss	(925,410)	(2,035,614)	-	(2,961,024)
Charge/(credit) to other comprehensive income	-	-	(345,492)	(345,492)
Liability at 31 December 2022	<u>12,890,609</u>	<u>(7,443,657)</u>	<u>(368,605)</u>	<u>5,078,347</u>

HAMBLE AEROSTRUCTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

16 Deferred taxation (Continued)

Offsets applied	2022 £	2021 £	2022 £	2021 £
	Deferred tax assets		Deferred tax liabilities	
Balances before offset	7,812,262	5,431,156	12,890,609	(13,816,019)
Amounts offset	(7,812,262)	(5,431,156)	(7,812,262)	5,431,156
Balances after offset	-	-	5,078,347	(8,384,863)

17 Provisions for liabilities

	2022 £	2021 £	
Provision for onerous contracts	23,692,015	34,205,440	
Provision for liquidated damages	682,659	904,193	
	<u>24,374,674</u>	<u>35,109,633</u>	
Movements on provisions:	Provision for onerous contracts £	Provision for liquidated damages £	Total £
At 1 January 2022	34,205,440	904,193	35,109,633
Additional provisions in the year	-	162,378	162,378
Utilisation of provision	(16,443,822)	(383,912)	(16,827,734)
Unwinding of discount	2,667,482	-	2,667,482
Exchange difference	3,262,915	-	3,262,915
At 31 December 2022	<u>23,692,015</u>	<u>682,659</u>	<u>24,374,674</u>

The provision for onerous contracts is management's best estimate of the present value of the free cash flows in relation to the loss-making contracts. The provision is currently expected to reverse over the next 10 financial years, however, this is subject to change if the required annual volumes are amended.

The provision for liquidated damages represents management's best estimate of claims in relation to late deliveries and concessions up to the year-end, based on management information and discussions with customers, and it is expected to reverse in the next financial year. Claims are made in arrears, so this causes uncertainty over amounts of outflows.

18 Deferred revenue

	2022 £	2021 £
Arising from grants receivable	-	726,740

HAMBLE AEROSTRUCTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

19 Retirement benefit schemes

	2022	2021
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	1,658,284	1,747,832

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

Unpaid contributions at 31 December 2022 were £nil (2021 - £nil).

20 Share capital

	2022	2021	2022	2021
Ordinary share capital Issued and fully paid	Number	Number	£	£
Ordinary shares of £1 each	60,000	60,000	60,000	60,000

Shares rank equally for voting purposes, for any dividend declared and for any distribution made on winding up. On a show of hands, each member shall have one vote and, on a poll, each member shall have one vote per share held. The shares are not redeemable.

21 Hedging reserve

	2022	2021
	£	£
At the beginning of the year	(69,339)	2,766,723
Gains and losses on cash flow hedges	(3,536,520)	21,346
Tax on gains and losses on cash flow hedges	345,493	672,097
Transfer to income	2,154,550	(3,529,505)
At the end of the year	(1,105,816)	(69,339)

22 Other leasing information

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of lease arrangements are as follows:

	2022	2021
	£	£
Expense relating to leases of low-value assets	219,235	198,524

HAMBLE AEROSTRUCTURES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

22 Other leasing information

(Continued)

Set out below are the future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities:

	2022	2021
	£	£
Operating leases apart from land and buildings		
Within one year	182,921	146,766
Between two and five years	183,910	301,070
	<u>366,831</u>	<u>447,836</u>

The above operating leases relate to the leasing of motor vehicles and production equipment.

23 Controlling party

The parent company of Hamble Aerostructures Limited is Aernnova Aerospace, S.A.U. and its registered office is located in the Technological Park of Alava at calle Leonardo Da Vinci 13, Miñano Mayor (Alava, Spain).

The ultimate parent company of Hamble Aerostructures Limited is Aernnova Aerospace Corporation, S.A. and its registered office is located in the Technological Park of Alava at calle Leonardo Da Vinci 13, Miñano Mayor (Alava, Spain).

The largest and smallest group in which the results of Hamble Aerostructures Limited are consolidated in are the financial statements of Aernnova Aerospace Corporation, S.A. which are available from the Commercial Register of Álava (Spain), Book 1242, Volume 210, Sheet VI-11396.

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