

Financial Statements Ipeco Holdings Limited

For the year ended 31 December 2023

Registered number: 00672443



Company information

DIRECTORS	C Johnson S Johnson E Johnson S Nash A Johnson S Hair R Hamlin
COMPANY SECRETARY	Indigo Corporate Secretary Limited
REGISTERED NUMBER	00672443
REGISTERED OFFICE	Aviation Way Southend-on-Sea Essex SS2 6UN
INDEPENDENT AUDITOR	PKF Littlejohn LLP 15 Westferry Circus London United Kingdom E14 4HD

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Group strategic report

For the year ended 31 December 2023

INTRODUCTION

The directors present their strategic report for the year ended 31 December 2023.

Principal activity and review of the business

The group's principal activities are the provision of crew seating, executive passenger seating and electrical galley insert equipment for commercial, business and military aircraft. This is supported by an established global aftermarket business consisting of retrofit, refurbishment and spares. Our customer base includes major aircraft manufacturers and the world's leading airlines.

Post-pandemic recovery in the aerospace industry increased at a faster rate in 2023, resulting in the Ipeco group achieving its best sales results. Total revenues are reported at £108,262,000 (2022 - £82,496,000). In the past two years, Ipeco's revenues have increased by 74%. In 2023, favourable exchange rates accounted for £675,000 of growth, meaning underlying sales growth for the year was 30%. A stretched supply chain and global inflation provided challenges to Ipeco's operations during the year.

In support of the growing order book, Ipeco recruited heavily during 2023, the average number of monthly employees increased by 88, most of whom are production staff.

The group operates a successful foreign currency trading policy designed to protect the group from adverse volatility in currency markets. Such protection can, as in this trading period, compromise the group's ability to trade at more favourable spot rates with the impact in 2023 being approximately £4,400,000. The adverse movement in exchange rates also resulted in revaluation losses of £1,256,000 on debtors and cash balances. Changes in the value of the group's outstanding cash flow hedging instruments were favourable leading to a mark to market credit to profit of £10,866,000 in the year on unhedged contracts and a credit of £6,182,000 on hedged contracts.

The group recorded an operating profit of £6,402,000, (2022 - £2,516,000) reversing the operating loss of £2,371,000 two years ago which the directors consider to be a very good outcome. After accounting for finance costs, impacts of foreign exchange and the impacts of taxation, the total comprehensive profit for the year was £18,014,000 (2022 - loss of £9,848,000).

The directors continuously review the performance of the group's foreign currency trading policy and consider it to be highly effective over long periods.

The group continued its heavy investment programme during 2023, completing an extensive upgrade to its composite manufacturing operations and increasing its metal machining capability. Work also commenced on a new 12,000 sq m. assembly and engineering facility in Southend-on-Sea. Across the year, fixed asset investment totalled £20,781,000.

Net assets increased in the year to £97,442,000 (2022 - £81,000,000) mainly due to changes in the mark to market values of foreign exchange contracts. Positive trading activity and planned long-term investment is reflected in increased stock, debtors and creditors and a corresponding reduction in cash to £4,911,000.

Group strategic report

For the year ended 31 December 2023

Key areas of strategic development and performance of the business include:

- **Sales and marketing:** with global air travel returning strongly in 2023 the market for our products continued to recover at a faster rate than anticipated. Major customers continued to accelerate aircraft build rates during the year despite global supply chain difficulties. Airlines re-activated aircraft, triggering purchases of spare parts and maintenance activities.
- **People:** the group has successfully taken steps to strengthen its workforce to meet the increasing demand. The growth in headcount has had a positive impact in manufacturing areas. The group's management remains unchanged and employee retention is very high.
- **Research and Development:** throughout 2023 the company invested £2,737,000 in research and development activities. Primary R&D programmes included new executive passenger seats and new cabin attendant seats in support of customer contracts. Various aircraft galley inserts are under development as the group seeks to extend its portfolio of products in the Airbus and Boeing catalogues.
- **Capability:** the group has enhanced its own engineering and manufacturing capabilities. In 2023 it completed the upgrade of its composite manufacturing activities with sizeable investment in new composite presses installed and commissioned.

Future developments

The group is continuing to take the necessary actions to ensure it can provide its customers with secure supply in the face of the ongoing challenges being presented by increased demand, raw material supply and cost inflation. It is committed to ensuring its customer base remains well supported.

The group will continue to protect the welfare of the workforce and to further the development of its employees, including its apprentice training programme.

Investment in new product development will continue in accordance with existing contractual commitments and the strategic objective of introducing innovative new products into our marketplaces.

The group has committed to further investment in the modernisation of its facilities and will take ownership of a new factory in early 2024. At around 12,000 sq m. this building will accommodate assembly, warehousing and engineering test.

The commitment to remaining a family company with a strong balance sheet means that the group is well placed to respond to difficult market challenges. This also provides a secure base from which the group can meet its long-term aspirations.

KEY FINANCIAL INDICATORS

The key financial and other performance indicators during the year were as follows:	2023 £000	2022 £000
Turnover	108,262	82,496
Operating profit	6,402	2,516
Net cash generated from/(used in) operating activities	1,901	(9,230)
Average number of employees	874	786

Group strategic report

For the year ended 31 December 2023

PRINCIPAL RISKS AND UNCERTAINTIES

The group has carried out a review to evaluate the risks and uncertainties facing the group. The principal risks and uncertainties are broadly grouped as:

Safety

The group operates in a highly regulated industry where the safety of its products and people are the highest priority. There is clear accountability for safety and a culture that puts safety first. Through extensive engineering, design and validation processes, supported by relevant training, the group ensures that our products conform to their specifications. The safety and wellbeing of people is ensured through the group's Health & Safety and Environmental management systems.

Business Continuity

Major disruption of the group's operations following a significant event and the impact this has might have on the aviation industry is mitigated by several factors. These include the strength of the balance sheet, the extent to which the group is vertically integrated, dual source and alternative supply arrangements, a resilient and collaborative workforce and the group's business continuity plan.

Competitive Environment

The group's challenge is to remain competitive in the global marketplace. To achieve this, the board considers that the best interests of customers can be served by remaining in family ownership. The directors continually invest in product innovation, manufacturing capability and customer support. Improvements in productivity, incorporating new manufacturing methods and ideas are continually implemented. In addition, the directors look to form strategic relationships with key suppliers so that the supply chain is focused on efficiency and cost management.

Compliance

In addition to changes in government legislation, increasing regulation in both the aviation industry and within individual customer contracts may have an impact on the group's ability to manufacture and supply products profitably. The group carries out an annual review of quality management systems and reviews upcoming changes in legislation and regulation to assess the impact and plan any changes required to business processes.

Cyber Threat

To mitigate the threat of unauthorised access, manipulation and corruption of data, systems or products through cyberspace, the group deploys web gateways, filtering, firewalls, advanced persistent threat detectors and various IT security protocols.

Major Product Programme Delivery

Major programmes are reviewed at levels and frequencies appropriate to their criticality and performance for potential risks, issues and opportunities throughout the development and certification phases. Investment in facilities and people enhances the programme management and product development processes.

Market and Financial Shock

The group maintains a strong balance sheet through managing cash balances and debt. A high level of liquidity and credit rating provides financial flexibility. The breadth of the product range and diversity of markets provides additional protection. The group is subject to transactions in foreign currency and seeks to mitigate this exposure using forward currency contracts covering several years. The present nature of these contracts means that not all these contracts comply with hedge accounting requirements and therefore movements in exchange rates can cause significant movements in the unrealised mark to market position presented in the group's financial statements. The group has no significant exposure to interest rate risk other than on cash deposits. Inflationary pressures could affect the group's profitability and are mitigated by the vertical integration of operations and long-term supplier contracts.

Group strategic report

For the year ended 31 December 2023

Political Risk

Through the global diversification of the group's operations, excessive concentration of risks in a particular area is avoided. Although the greater majority of sales are considered to be with low risk countries, trade sanctions can impact group revenues. The group's largest customers are in North America.

Retaining Talent and Capability

The group leverages its position as a world leader in aerospace engineering to attract and retain talent and capability. It funds and delivers world class training programmes for employees (including apprentices) and engages with universities and other higher education establishments to attract engineering graduates. Talent and capability are recruited globally. The leadership looks to promote a culture that provides development opportunities to existing staff by promoting from within wherever possible, and that is welcoming and supportive.

PROMOTING THE SUCCESS OF THE COMPANY - s172(1) statement

The directors of the company meet bi-monthly to review key business decisions. Additional meetings are scheduled as required. The executive directors have daily contact with the senior management team to ensure operational matters are addressed speedily. When taking decisions, in particular with regard to investment opportunities in both assets and development activities, the directors consider the long-term plans for the business.

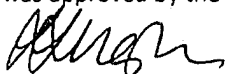
The directors review the impacts of key decisions on all stakeholders of the business to ensure the interests of customers, suppliers, employees, and shareholders as well as the wider community are considered. The directors aim to treat all parties fairly in their dealings with them.

The investment in new premises provided the business with an opportunity to reduce the impacts of operational activities on the environment. It is hoped that this investment will also provide more employment opportunities for the local community as activity in aviation continues to recover.

The business receives regular accolades from its business partners for exceptional service levels, adherence to delivery schedules and quality standards. All three are focal points for operational management and are reviewed weekly by the senior management team. The directors believe focus in these areas, combined with investment in its relationships with customers and suppliers, is the basis for the business's reputation for high standards.

This report was approved by the board and signed on its behalf on 3 May 2024

Sarah Nash



S Nash
Director

Directors' report

For the year ended 31 December 2023

The directors present their report and the financial statements of Ipeco Holdings Limited (Registered company number 00672443) for the year ended 31 December 2023.

PRINCIPAL ACTIVITY

The group's principal activities are the provision of crew seating, executive passenger seating and electrical galley insert equipment for commercial, business and military aircraft. This is supported by an established global aftermarket business consisting of retrofit, refurbishment and spares. Our customer base includes major aircraft manufacturers and the world's leading airlines.

RESULTS AND DIVIDEND

The profit for the year, after taxation, amounted to £13,649,000 (2022 – Loss of £4,112,000).

Dividends paid for the year totalled £1,572,000 (2022 - £1,520,000).

DIRECTORS

The directors who served during the year were:

C Johnson
S Johnson
E Johnson
S Nash
A Johnson
S Hair
R Hamlin

HEALTH AND SAFETY AND THE ENVIRONMENT

The group recognises its responsibilities on all matters relating to health, safety and the environment. During the year the business has continued to update its health and safety policy and provide advice and support to staff, as well as provide education and training on health and safety matters.

The group aims to manage its activities in such a way that adverse effects on the environment are minimised. A policy statement has been produced which reaffirms the group's commitment to environmental, social and economic sustainability. This has been discussed within the organisation to raise awareness and agree practical ways of completion.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The group made no political contributions during the year (2022-£Nil). Donations to UK charities amounted to £41,000 (2022 – £18,000).

RESEARCH AND DEVELOPMENT ACTIVITIES

The group is committed to a policy of future investment both by acquisition of capital equipment and by expenditure on product development and improvement.

Directors' report

For the year ended 31 December 2023

FINANCIAL INSTRUMENTS

The group operates a centralised treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the group's activities.

The group's principal foreign currency exposures arise from trading operations in overseas jurisdictions. Group policy permits, but does not demand, these exposures to be hedged to fix the price in sterling. This hedging activity involves the use of foreign exchange forward contracts.

The group's principal financial instruments include derivative financial instruments, the purpose of which is to manage currency risks arising from the group's trading activities. The group has various other financial assets and liabilities, such as trade receivables and trade payables, arising directly from its operations. Derivative transactions into which the group enters are mainly forward exchange contracts.

Details of the financial instruments are provided in notes 17, 19, 20 and 21 to the financial statements.

EMISSIONS AND ENERGY CONSUMPTION

The group is fully committed to protecting the environment by continually improving our environmental performance, through product design, manufacturing methods, recycling and the minimisation of waste, in particular any pollutants which may cause environmental damage.

The sale of less energy efficient buildings in 2021 contributed to an overall reduction in energy consumption in 2022. Despite the growth seen in our manufacturing operations over the last two years, energy consumption has been maintained at similar levels to 2021. Further investment into more energy efficient premises is planned in the current year.

The table below details the carbon footprint of the group's UK operations for the year.	2023 kWh'000	2022 kWh'000
Electricity	5,376	4,946
Solar	428	532
Natural gas	3,611	3,354
Stationary fuels	1	2
Transport fuels	100	93
Total energy consumption	9,516	8,927

	2023 TCO2e	2022 TCO2e
Emissions from purchased electricity	1,113	957
Emissions from combustion of gas	661	612
Emissions from combustion of fuel for transport purposes	23	22
Total TCO2e	1,797	1,591

The methodology used to calculate energy consumption and carbon emissions has been invoice data for the financial years stated. Where data was not available, estimates have been calculated using historical profiles. Energy and fuel consumption has been converted to carbon (KGC02e) using DEFRA published conversion factors. Fuel for transport has been converted using statistical data sets published by the Department of Transport.

Directors' report

For the year ended 31 December 2023

EMPLOYEE INVOLVEMENT

The company continues to engage with its employees, providing information on the company's operational and financial performance, the wider economic context, and matters of concern through formal briefings and presentations.

Views of employees are regularly considered, especially with respect to employee safety and welfare. Elected employee representatives play a full role in the group's occupational health and safety management system providing feedback to management and support to colleagues. An employee-led Wellbeing Committee assists management with promoting mental health. Employees have provided their input on the reorganisation of the group's customer facing activities and during the design stages of a new facility.

An employee recognition event is held annually.

The directors of the group actively promote engagement across all employees and an open and transparent working culture. The directors have regard to the impacts of rising inflation, especially energy costs, on employees and this is reflected in the annual pay review awards.

PERSONS WITH A DISABILITY

All applications for employment from persons with a disability are given full and fair consideration, due regard being given to the aptitude and ability of the individual and the requirements of the position concerned. Persons with a disability are treated on equal terms with other employees as regards training, career development and promotion. In the event of an existing employee becoming disabled, every effort is made to ensure continuity of employment and that appropriate training is given where necessary.

POST BALANCE SHEET EVENTS

There have been no events since the year end considered material to the group's overall performance.

Directors' report

For the year ended 31 December 2023

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the group's financial statements 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 group will continue in business.

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

DISCLOSURE OF INFORMATION TO AUDITOR

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

- so far as the director is aware, there is no relevant audit information of which the group's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the group's auditor is aware of that information.

AUDITOR

The auditor, PKF Littlejohn LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf on 3 May 2024



S Nash
Director

Independent auditor's report to the members of Ipeco Holdings Limited

OPINION

We have audited the financial statements of Ipeco Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's profit 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 OF 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.

CONCLUSIONS RELATING TO GOING CONCERN

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.

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 group's or parent 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 directors with respect to going concern are described in the relevant sections of this report.

Independent auditor's report to the members of Ipeco Holdings 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 group and parent company 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, the directors are responsible for the preparation of the group and parent company 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 group and parent company 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 Ipeco Holdings 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.

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

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research and application of cumulative audit knowledge.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from Companies Act 2006, Financial Reporting Standard 102, product safety regulations and relevant employee and tax legislation.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
 - enquiries of management.
 - review of board minutes.
 - review of legal and regulatory correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the potential for management bias was identified in relation to stock provisioning and the allocation of labour and overheads to stock and we addressed this by challenging the assumptions and judgements made by management when auditing significant accounting estimates.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
- The group engagement team shared the risk assessment in relation to non-compliance of laws and regulations and material misstatements of the financial statements due to fraud with the component auditors so that they could include appropriate audit procedures in response to such risks in their work.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Ipeco Holdings Limited

Independent auditor's report to the members of Ipeco Holdings Limited - Continued

USE OF OUR REPORT

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

*PKF Littlejohn
LLP*

Timothy Herbert (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

3 May 2024

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Note	2023 £000	2022 £000
Turnover	4	108,262	82,496
Cost of sales		(83,589)	(64,233)
Gross profit		24,673	18,263
Distribution costs		(1,485)	(1,423)
Administrative expenses		(16,786)	(14,324)
Operating profit	5	6,402	2,516
Financing income	9	10,909	43
Financing costs	10	(117)	(9,788)
Profit/(loss) before tax		17,194	(7,229)
Tax on (profit)/loss	11	(3,545)	3,117
Profit/(loss) for the year		13,649	(4,112)
Currency translation differences		(312)	701
Cash flow hedges – change in value of hedging instrument		6,182	(8,563)
Total tax components of other comprehensive income	11	(1,505)	2,126
Other comprehensive income/(expense) for the year		4,365	(5,736)
Total comprehensive income/(expense) for the year		18,014	(9,848)
Profit/(loss) for the year attributable to:			
Non-controlling interests		65	109
Owners of the parent company		13,584	(4,221)
		13,649	(4,112)
Total comprehensive income/(expense) for the year attributable to:			
Non-controlling interests		79	109
Owners of the parent company		17,935	(9,957)
		18,014	(9,848)

The notes on pages 23 to 42 form part of these financial statements.

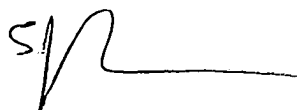
Consolidated Balance Sheet

As at 31 December 2023

	Note	2023 £000	2022 £000
Fixed assets			
Intangible assets	13	18	(160)
Tangible assets	14	<u>53,345</u>	<u>35,965</u>
		53,363	35,805
Current assets			
Stocks	16	38,560	35,244
Debtors: amounts falling due after more than one year	17	1,561	4,292
Debtors: amounts falling due within one year	17	23,810	22,236
Cash at bank and in hand	18	<u>4,911</u>	<u>20,277</u>
		68,842	82,049
Creditors: amounts falling due within one year (excluding forward exchange contract financial instruments)		(13,637)	(13,338)
Forward exchange contract financial instruments		<u>(2,168)</u>	<u>(6,288)</u>
Total creditors: amounts falling due within one year	19	<u>(15,805)</u>	<u>(19,626)</u>
Net current assets		53,037	62,423
Total assets less current liabilities		106,400	98,228
Creditors: amounts falling due after more than one year (excluding forward exchange contract financial instruments)		(4,217)	(60)
Forward exchange contract financial instruments		<u>(4,741)</u>	<u>(17,168)</u>
Total creditors: amounts falling due after more than one year	20	<u>(8,958)</u>	<u>(17,228)</u>
Net assets		97,442	81,000
Capital and reserves			
Called up share capital	24	1,880	1,880
Share premium account	23	3,988	3,988
Cash flow hedge reserve	23	(2,035)	(6,712)
Profit and loss account	23	92,799	81,046
		<u>96,632</u>	<u>80,202</u>
Equity attributable to owners of the parent company		96,632	80,202
Minority interest		810	798
		<u>97,442</u>	<u>81,000</u>
Total equity		97,442	81,000

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 3 May 2024

S Johnson
Director



The notes on pages 23 to 42 form part of these financial statements.

Company Balance Sheet

As at 31 December 2023

	Note	2023 £000	2022 £000
Fixed assets			
Tangible assets	14	52,423	35,022
Investments	15	<u>1,274</u>	<u>1,274</u>
		53,697	36,296
Current assets			
Stocks	16	30,885	27,563
Debtors: amounts falling due after more than one year	17	1,561	4,292
Debtors: amounts falling due within one year	17	27,757	25,535
Cash at bank and in hand	18	<u>2,300</u>	<u>17,930</u>
		62,503	75,320
Creditors: amounts falling due within one year (excluding forward exchange contract financial instruments)		(11,342)	(10,785)
Forward exchange contract financial instruments		<u>(2,168)</u>	<u>(6,288)</u>
Total creditors: amounts falling due within one year	19	<u>(13,510)</u>	<u>(17,073)</u>
Net current assets		48,993	58,247
Total assets less current liabilities		102,690	94,543
Creditors: amounts falling due after more than one year (excluding forward exchange contract financial instruments)		(4,208)	-
Forward exchange contract financial instruments		<u>(4,741)</u>	<u>(17,168)</u>
Total creditors: amounts falling due after more than one year	20	<u>(8,949)</u>	<u>(17,168)</u>
Net assets		93,741	77,375
Capital and reserves			
Called up share capital	24	1,880	1,880
Share premium account	23	3,988	3,988
Cash flow hedge reserve	23	(2,035)	(6,712)
Profit and loss account	23	89,908	78,219
Total equity		93,741	77,375

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The profit after tax of the parent company for the year was £13,194,000 (2022 – loss £3,918,000).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 3 May 2024

S Johnson
Director



The notes on pages 23 to 42 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Called up share capital	Share premium account	Cash flow hedge reserve	Profit and loss account	Equity attributable to owners of parent company	Non- controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2023	1,880	3,988	(6,712)	81,046	80,202	798	81,000
Profit for the year	-	-	-	13,584	13,584	65	13,649
Currency translation differences	-	-	-	(326)	(326)	14	(312)
Hedge effective portion of change in fair value of hedging instruments	-	-	2,174	-	2,174	-	2,174
Cash flow hedge recycled to profit or loss	-	-	2,503	-	2,503	-	2,503
Other comprehensive income/(expense) for the year	-	-	4,677	(326)	4,351	14	4,365
Total comprehensive income for the year	-	-	4,677	13,258	17,935	79	18,014
Dividends: Equity capital	-	-	-	(1,505)	(1,505)	(67)	(1,572)
Balance at 31 December 2023	1,880	3,988	(2,035)	92,799	96,632	810	97,442

The notes on pages 23 to 42 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Called up share capital	Share premium account	Cash flow hedge reserve	Profit and loss account	Equity attributable to owners of parent company	Non- controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2022	1,880	3,988	(275)	86,086	91,679	689	92,368
Profit/(loss) for the year	-	-	-	(4,221)	(4,221)	109	(4,112)
Currency translation differences	-	-	-	701	701	-	701
Hedge effective portion of change in fair value of hedging instruments	-	-	(6,758)	-	(6,758)	-	(6,758)
Cash flow hedge recycled to profit or loss	-	-	321	-	321	-	321
Other comprehensive (expense)/income for the year	-	-	(6,437)	701	(5,736)	-	(5,736)
Total comprehensive (expense)/income for the year	-	-	(6,437)	(3,520)	(9,957)	109	(9,848)
Dividends: Equity capital	-	-	-	(1,520)	(1,520)	-	(1,520)
Balance at 31 December 2022	1,880	3,988	(6,712)	81,046	80,202	798	81,000

The notes on pages 23 to 42 form part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2023

	Called up share capital	Share premium account	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
Balance at 1 January 2023	1,880	3,988	(6,712)	78,219	77,375
Profit for the year	-	-	-	13,194	13,194
Dividend paid in the year	-	-	-	(1,505)	(1,505)
Hedge effective portion of change in fair value of hedging instruments	-	-	2,174	-	2,174
Cash flow hedge recycled to profit or loss	-	-	2,503	-	2,503
Balance at 31 December 2023	1,880	3,988	(2,035)	89,908	93,741

Company Statement of Changes in Equity

For the year ended 31 December 2022

	Called up share capital	Share premium account	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
Balance at 1 January 2022	1,880	3,988	(275)	83,657	89,250
Loss for the year	-	-	-	(3,918)	(3,918)
Dividend paid in the year	-	-	-	(1,520)	(1,520)
Hedge effective portion of change in fair value of hedging instruments	-	-	(6,758)	-	(6,758)
Cash flow hedge recycled to profit or loss	-	-	321	-	321
Balance at 31 December 2022	1,880	3,988	(6,712)	78,219	77,375

The notes on pages 23 to 42 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 £000	2022 £000
Cash flows from operating activities		
Profit/(loss) for the financial year	13,649	(4,112)
Adjustments for:		
Depreciation of tangible assets	3,371	3,083
Amortisation of intangible assets	(178)	(177)
Loss on disposal of tangible assets	62	215
Foreign exchange movement	619	(2,961)
Financing (income)/costs	(10,792)	9,745
Taxation charge/(credit)	3,545	(3,117)
(Increase) in stock	(3,844)	(9,701)
(Increase) in debtors	(3,152)	(7,753)
(Decrease)/Increase in creditors	(1,864)	4,986
Corporation tax received	485	562
Net cash generated from/(used in) operating activities	1,901	(9,230)
Cash flows from investing activities		
Purchase of tangible fixed assets	(20,781)	(3,137)
Sale of tangible fixed assets	6	6
Interest received	43	43
Net cash used in investing activities	(20,732)	(3,088)
Cash flows from financing activities		
Finance leases and hire purchase contracts taken out in the year	5,815	-
Capital element of finance leases and hire purchase contracts repaid	(365)	(55)
Dividends paid	(1,572)	(1,520)
Interest paid	(117)	(12)
Net cash generated by/(used in) financing activities	3,761	(1,587)
Net decrease in cash and cash equivalents	(15,070)	(13,905)
Cash and cash equivalents at the beginning of year	20,277	31,584
Foreign exchange on retranslation	(296)	2,598
Cash and cash equivalents at the end of year	4,911	20,277
Cash at bank and in hand	4,911	20,277

The notes on pages 23 to 42 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2023

1. GENERAL INFORMATION

The principal activity of the group during the year was the design, development and manufacture of specialised equipment for the aerospace industry.

Ipeco Holdings Limited is a private company, limited by share capital, incorporated in England. The registered office of the company is Aviation Way, Southend-on-Sea, Essex SS2 6UN.

The group and individual financial statements of Ipeco Holdings Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

2. ACCOUNTING POLICIES

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

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" and the Companies Act 2006.

The financial statements have been prepared in sterling, which is the functional currency of the group, and rounded to the nearest £000.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the group's accounting policies (see note 3).

2.2 Going concern

After reviewing the group's forecasts and projections, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its financial statements.

2.3 Basis of consolidation

The consolidated financial statements present the results of Ipeco Holdings Limited and its subsidiaries ('the group') as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

No statement of comprehensive income is presented for Ipeco Holdings Limited as a company, as permitted by section 408 of the Companies Act 2006.

Notes to the financial statements - Continued

For the year ended 31 December 2023

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. Certain criteria must also be met before revenue is recognised.

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

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

2.5 Government grants

Government grants are recognised in other income when there is reasonable assurance that the entity will comply with the conditions attached to the grant and that the grant will be received.

2.6 Intangible fixed assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Goodwill	- 10 years
Negative goodwill	- 3 years
Order Book	- 1 year

Amortisation is charged to administrative expenses in the consolidated statement of comprehensive income.

Assets are assessed for impairment annually when there are indicators of impairment and any impairment is charged to the consolidated statement of comprehensive income.

2.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Notes to the financial statements - Continued

For the year ended 31 December 2023

2.7 Tangible fixed assets - Continued

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the consolidated statement of comprehensive income during the period in which they are incurred.

Land is not depreciated. Assets in the course of construction are stated at cost. These assets are not depreciated until they are ready for use.

Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method on the following basis:

Freehold property	- 50 years
Long term leasehold property	- Over the shorter of the outstanding lease period and 50 years
Plant and machinery	- 3-10 years
Motor vehicles	- 4-5 years

Depreciation is charged to administrative expenses and cost of sales in the consolidated statement of comprehensive income.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

2.8 Business combinations and goodwill

Business combinations are accounted for by applying the purchase method. On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values of the group's interest in the identifiable net assets, liabilities and contingent liabilities acquired. Goodwill is amortised over its expected useful life which is estimated to be ten years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the consolidated statement of comprehensive income.

Where the fair values of assets acquired exceed the purchase consideration, the excess is recognised as negative goodwill which is amortised over three years.

2.9 Leases

Finance Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases. Assets held under finance leases are recognised initially at the fair value of the leased asset or, if lower, the present value of minimum lease payments at the inception of the lease.

Notes to the financial statements - Continued

For the year ended 31 December 2023

2.9 Leases - continued

The corresponding liability is included in the balance sheet as 'obligations under finance leases' within creditors. Lease payments are apportioned between finance charges and reduction of the lease liability using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are included in tangible fixed assets and are depreciated and assessed for impairment losses in the same way as owned assets.

Operating Leases

Rentals paid under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term.

2.10 Research and development

Expenditure on design, research and development is charged to the consolidated statement of comprehensive income as it is incurred.

2.11 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

2.12 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Standard unit cost is used as an approximation of cost and regular adjustments made if the standard cost is significantly different to actual cost. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the consolidated statement of comprehensive income.

2.13 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Notes to the financial statements - Continued

For the year ended 31 December 2023

2.15 Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other amounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short term instrument constitute a financing transaction, such as the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument, and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the balance sheet date.

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

The group uses forward currency contracts to reduce exposure to foreign exchange rates.

Forward currency contracts are initially measured at fair value on the date on which the contract is entered into. Where forward currency contracts are designated as a hedge of the exposure to variability in cash flows relating to highly probable forecast revenues, the effective portion of any movement in the fair value is recognised in other comprehensive income and presented in the cash flow hedge reserve in equity along with any related tax effect. Movements in the ineffective portion, together with the movements relating to forward currency contracts that are not designated as a hedge, are measured at fair value through profit and loss. Forward exchange contracts are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised, or the hedging instrument is terminated.

Notes to the financial statements - Continued

For the year ended 31 December 2023

2.16 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.17 Foreign currency translation

Functional and presentational currency

Items included in the financial statements of each of the group's entities are measured using the entity's functional currency. The consolidated financial statements are presented in sterling, which is the company's functional and the group's presentational currency.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date, including any goodwill in relation to that entity. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

Transactions and balances

Foreign currency transactions are translated into the functional currency using an average rate which is updated on a monthly basis. All exchange gains or losses on transactions are included as part of the operating result of the group.

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'financing income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within cost of sales and administrative expenses.

2.18 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Notes to the financial statements - Continued

For the year ended 31 December 2023

2.19 Pensions

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations.

The contributions are recognised as an expense in the consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

2.20 Interest income

Interest income is recognised in the consolidated statement of comprehensive income using the effective interest method.

2.21 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Notes to the financial statements - Continued

For the year ended 31 December 2023

2.22 Warranty costs

Provisions are made for the costs of warranty work when it is known that there is an obligation to complete the work and the amount is material.

2.23 Related party transactions

The group discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the group financial statements.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following items are the judgements that have had the most significant effect on amounts recognised in the financial statements and the key sources of estimation uncertainty.

Stock provisions

The group makes a provision against slow-moving stock to reduce the value of stock to its net realisable value. Provisions are based on the expected future usage of raw materials and the likelihood of sale of finished goods and therefore are subject to estimates and judgements made by management.

Allocation of labour and overheads

The group allocates labour and overheads to stock, the rates used are subject to levels of both estimates and judgements by management. The absorption rates used are calculated based on expected costs, these are reviewed and updated on a quarterly basis.

4. TURNOVER

The whole of the turnover is attributable to the principal activity of the group.

Analysis of turnover by country of destination:

	2023	2022
	£000	£000
United Kingdom	11,398	7,730
Rest of Europe	16,138	12,198
United States	55,620	44,297
Rest of the world	25,106	18,271
	108,262	82,496

Notes to the financial statements - Continued

For the year ended 31 December 2023

5. OPERATING PROFIT

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

	2023 £000	2022 £000
Research and development expenditure	2,737	3,129
Operating lease rentals	839	642
Loss on disposal of fixed assets	62	215
Depreciation of tangible fixed assets	3,371	3,083
Depreciation of assets held under hire purchase and finance lease agreements	182	-
Amortisation of intangible fixed assets	(178)	(177)
Exchange loss	3,257	179
Defined contribution pension cost	2,230	1,840

6. AUDITOR'S REMUNERATION

	2023 £000	2022 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	114	106

7. EMPLOYEES

Staff costs were as follows:

	2023 £000	2022 £000
Wages and salaries	30,284	26,056
Social security costs	2,810	2,410
Cost of defined contribution pension scheme	2,230	1,788
	35,324	30,254

Total key management remuneration for the year was £924,000 (2022 - £872,000).

During the year the parent company incurred staff costs of £27,570,000 (2022 - £23,513,000).

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

	2023 No.	2022 No.
Production	697	624
Selling and distribution	31	29
Administration	146	133
	874	786

During the year the average monthly number of employees (including directors) employed by the parent company was 722 (2022 - 652).

Notes to the financial statements - Continued

For the year ended 31 December 2023

8. DIRECTORS' REMUNERATION

	2023 £000	2022 £000
Directors' emoluments	674	651
Company contributions to defined contribution pension schemes	78	26
	<u>752</u>	<u>677</u>

The highest paid director received remuneration of £302,500 (2022 - £289,300).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2022 - £nil).

During the year retirement benefits were accruing to four directors (2022 - three) in respect of defined contribution pension schemes.

9. FINANCING INCOME

	2023 £000	2022 £000
Fair value gains on foreign currency contracts	10,866	-
Other interest receivable	43	43
	<u>10,909</u>	<u>43</u>

10. FINANCING COSTS

	2023 £000	2022 £000
Fair value losses on foreign currency contracts	-	9,776
Interest on hire purchase and finance lease agreements	117	-
Other interest payable	-	12
	<u>117</u>	<u>9,788</u>

11. TAXATION

	2023 £000	2022 £000
Corporation tax		
Current tax on profit/loss for the year	(543)	(532)
Adjustments in respect of previous periods	-	(151)
	<u>(543)</u>	<u>(683)</u>
Foreign tax		
Foreign tax on income for the year	125	25
Total current tax	<u>(418)</u>	<u>(658)</u>

Deferred tax (See also note 22)

Origination and reversal of timing differences	1,300	(38)
Deferred tax on financial instruments	2,663	(2,421)
Total deferred tax	<u>3,963</u>	<u>(2,459)</u>
Taxation on profit/(loss) on ordinary activities	<u>3,545</u>	<u>(3,117)</u>

Notes to the financial statements - Continued

For the year ended 31 December 2023

11. TAXATION - Continued

	2023	2022
	£000	£000
Deferred tax included in other comprehensive income		
Deferred tax credit on movement in cash flow hedge reserve	1,505	(2,126)
Total deferred tax included in other comprehensive income	1,505	(2,126)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2022 - lower than) the standard rate of corporation tax in the UK of 23.5% (2022 - 19%). The differences are explained below:

	2023	2022
	£000	£000
Profit/(loss) on ordinary activities before tax	17,194	(7,229)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.5% (2022-19%)	4,041	(1,374)
Effects of:		
Expenses/(income) not deductible for tax purposes, other than goodwill amortisation and impairment	19	270
Impact of enhanced relief on development expenditure	(422)	(532)
Differences between capital allowances and depreciation	(187)	(120)
Higher rate taxes on overseas earnings	1	(60)
Adjustments in respect of prior periods	(32)	(151)
Differences arising from changes in tax rates	199	(1,205)
Losses not utilised in current year on overseas earnings	(74)	55
Total tax charge/(credit) for the year	3,545	(3,117)

12. PARENT COMPANY PROFIT FOR THE YEAR

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The profit (2022 - loss) after tax of the parent company for the year was £13,194,000 (2022 - £3,918,000).

13. INTANGIBLE FIXED ASSETS

Cost or valuation	Order Book £000	Goodwill £000	Negative Goodwill £000	Total £000
At 1 January 2023 and 31 December 2023	44	444	(666)	(178)
Amortisation				
At 1 January 2023	44	206	(268)	(18)
Charge/(credit) for the year	-	44	(222)	(178)
At 31 December 2023	44	250	(490)	(196)
Net book value				
At 31 December 2023	-	194	(176)	18
At 31 December 2022	-	238	(398)	(160)

Notes to the financial statements - Continued

For the year ended 31 December 2023

14. TANGIBLE FIXED ASSETS

Group	Freehold property £000	Long term leasehold property £000	Plant and machinery £000	Motor vehicles £000	Assets under construction £000	Total £000
Cost or valuation						
At 1 January 2023	26,775	367	36,382	252	-	63,776
Additions	2,493	73	4,612	30	13,573	20,781
Disposals	-	-	(192)	(6)	-	(198)
Exchange adjustments	-	(19)	(106)	(6)	-	(131)
At 31 December 2023	29,268	421	40,696	270	13,573	84,228
Depreciation						
At 1 January 2023	3,640	314	23,614	243	-	27,811
Charge for the year	480	57	2,815	19	-	3,371
Disposals	-	-	(124)	(6)	-	(130)
Exchange adjustments	-	(28)	(129)	(12)	-	(169)
At 31 December 2023	4,120	343	26,176	244	-	30,883
Net book value						
At 31 December 2023	25,148	78	14,520	26	13,573	53,345
At 31 December 2022	23,135	53	12,768	9	-	35,965

Included in the net book value of plant and machinery is £6,931,000 relating to assets held under hire purchase and finance lease agreements.

Company	Freehold property £000	Plant and machinery £000	Motor vehicles £000	Assets under construction £000	Total £000
Cost or valuation					
At 1 January 2023	26,775	33,494	144	-	60,413
Additions	2,493	4,377	14	13,573	20,457
Disposals	-	(150)	(6)	-	(156)
At 31 December 2023	29,268	37,721	152	13,573	80,714
Depreciation					
At 1 January 2023	3,640	21,616	135	-	25,391
Charge for the year	480	2,520	9	-	3,009
Disposals	-	(103)	(6)	-	(109)
At 31 December 2023	4,120	24,033	138	-	28,291
Net book value					
At 31 December 2023	25,148	13,688	14	13,573	52,423
At 31 December 2022	23,135	11,878	9	-	35,022

Included in the net book value of plant and machinery is £6,797,000 relating to assets held under hire purchase and finance lease agreements.

Notes to the financial statements - Continued

For the year ended 31 December 2023

15. FIXED ASSET INVESTMENTS

Company	Investments in subsidiary companies £000
Cost or valuation at 31 December 2023	1,274
Cost or valuation at 31 December 2022	1,274

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Share Holding	Place of business
Ipeco Inc.	100% Ordinary	2275 Jefferson St. Torrance, CA 90501 USA
Ipeco Service Centre Hong Kong Ltd	51% Ordinary	21/F Nan Dao Building, 359-361 Queens Road Central, Hong Kong
Ipeco Singapore PTE Ltd	100% Ordinary	690 West Camp Road, JTC Aviation Two, #08-01/02/03/04 Singapore 797523
hs2 Engineering GmbH	100% Ordinary	Boschstr. 8/1, 89079 Ulm, Germany
Pulse Electronics (Avionics) Ltd	100% Ordinary	Dormant
Aviation Marketing Consultants Industries Ltd	100% Ordinary	Non-trading holding company
Ipeco Holdings Limited (FZE)	100% Ordinary	Saif Executive Offices P8-01-02, Sharjah, UAE

Indirect subsidiary undertakings

The following were indirect subsidiary undertakings of the company:

Name	Share Holding	Place of business
Ipeco Service Centre Beijing Ltd	51% Ordinary	Room 509 Sth Building, 18 JiuXianQiao Zhong Rd ChaoYang District, Beijing, China
O.T.M. Servo Mechanism Limited	100% Ordinary	The Avenue, Egham, Surrey TW20 9AL

Notes to the financial statements - Continued

For the year ended 31 December 2023

16. STOCKS

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Raw materials	15,958	14,542	12,807	11,089
Work in progress	6,523	6,662	4,243	4,360
Finished goods and goods for resale	16,079	14,040	13,835	12,114
	38,560	35,244	30,885	27,563

The difference between purchase price or production cost of stocks and their replacement cost is not material. Stock recognised in cost of sales during the year as an expense was £76,405,000 (2022 - £59,424,000).

A credit of £976,000 (2022: debit of £3,045,000) was recognised in cost of sales against stock during the year due to impairment of stock values.

17. DEBTORS

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Due after more than one year				
Financial instruments	501	-	501	-
Deferred tax asset (see also note 22)	1,060	4,292	1,060	4,292
	1,561	4,292	1,561	4,292

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Due within one year				
Financial instruments	(1)	-	(1)	-
Trade debtors	15,780	10,541	11,728	7,223
Amounts owed by group undertakings	-	-	11,050	9,620
Other debtors	1,103	1,954	1,092	1,928
Prepayments and accrued income	1,373	2,791	1,017	2,453
Deferred tax asset (see also note 22)	4,182	5,488	1,602	2,995
Corporation tax	1,339	1,386	1,269	1,316
Overseas corporation tax	34	76	-	-
	23,810	22,236	27,757	25,535

18. CASH AND CASH EQUIVALENTS

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Cash at bank and in hand	4,911	20,277	2,300	17,930

Notes to the financial statements - Continued

For the year ended 31 December 2023

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Trade creditors	6,988	8,886	5,690	7,729
Amounts owed to group undertakings	-	-	154	93
Overseas corporation tax	1	21	-	-
Other taxation and social security	678	707	605	552
Obligations under finance lease and hire purchase contracts	1,347	54	1,296	-
Accruals and deferred income	1,997	2,020	1,134	916
Deferred tax liability (see also note 22)	2,626	1,650	2,463	1,495
Financial instruments	2,168	6,288	2,168	6,288
	15,805	19,626	13,510	17,073

Certain banking arrangements and financial instruments are secured by a legal charge over the assets of the group.

20. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Financial instruments	4,741	17,168	4,741	17,168
Obligations under finance lease and hire purchase contracts	4,217	60	4,208	-
	8,958	17,228	8,949	17,168

The above financial instruments are taken out by the group to reduce volatility in underlying profit.

None of the amounts owed under hire purchase and finance lease agreements are due after more than five years.

Certain banking arrangements and financial instruments are secured by a legal charge over the assets of the group.

21. FINANCIAL INSTRUMENTS

Financial assets that are debt instruments measured at amortised cost comprise cash and cash equivalents, current asset investments, trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise loans, trade creditors, amounts owed to group undertakings, other creditors and accruals.

Derivative financial instruments measured at fair value through the statement of comprehensive income comprise forward foreign currency contracts. The group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency receivables. The total amount committed is variable due to the nature of some contracts. The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs.

Notes to the financial statements - Continued

For the year ended 31 December 2023

21. FINANCIAL INSTRUMENTS - Continued

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Financial assets				
Derivative financial instruments measured at fair value through the statement of comprehensive income	500	-	500	-
Financial assets that are debt instruments measured at amortised cost	21,794	32,772	26,170	36,701
Total	22,294	32,772	26,670	36,701
Financial liabilities				
Derivative financial instruments measured at fair value through the statement of comprehensive income	(4,195)	(14,561)	(4,195)	(14,561)
Derivative financial instruments designated as cash flow hedges	(2,714)	(8,895)	(2,714)	(8,895)
Financial liabilities measured at amortised cost	(14,549)	(11,020)	(12,482)	(8,738)
Total	(21,458)	(34,476)	(19,391)	(32,194)

Forward contract financial obligations fall due as follows:

	Debtor 2023 £000	Creditor 2023 £000	Net Liability 2023 £000	Debtor 2022 £000	Creditor 2022 £000	Net Liability 2022 £000
Due within one year	(1)	2,168	2,169	-	6,288	6,288
Due within 1-2 years	104	2,689	2,585	-	5,863	5,863
Due within 2-3 years	110	1,364	1,254	-	5,828	5,828
Due within 3-4 years	152	533	381	-	3,731	3,731
Due within 4-5 years	135	155	20	-	1,676	1,676
Due after 5 years	-	-	-	-	70	70
Total	500	6,909	6,409	-	23,456	23,456

The key assumptions used in valuing the derivatives are the forward exchange rates for GBP:USD of 1.2735 (2022 - 1.2048).

Notes to the financial statements - Continued

For the year ended 31 December 2023

22. DEFERRED TAXATION

Group	2023 £000	2022 £000
At beginning of year	8,130	3,449
(Charged)/credited to the statement of comprehensive income	(3,963)	2,459
(Charged)/credited to cash flow hedge reserve	(1,505)	2,126
Impact of foreign exchange on retranslation of opening balance	(46)	96
At end of year	2,616	8,130
Company	2023 £000	2022 £000
At beginning of year	5,792	1,893
Charged to the statement of comprehensive income	(4,088)	1,773
Charged to cash flow hedge reserve	(1,505)	2,126
At end of year	199	5,792
	Group 2023 £000	Group 2022 £000
The deferred tax asset is made up as follows:		
Elimination of unrealised intragroup profits on consolidation	1,166	988
Tax losses	2,025	2,455
Other timing differences	449	567
Deferred tax on financial instruments	1,602	5,770
	5,242	9,780
	Group 2023 £000	Group 2022 £000
The deferred tax liability is made up as follows:		
Accelerated capital allowances	2,512	1,525
Other timing differences	114	125
Deferred tax on financial instruments	-	-
	2,626	1,650
	Company 2023 £000	Company 2022 £000
The deferred tax asset is made up as follows:		
Tax losses	1,060	1,517
Deferred tax on financial instruments	1,602	5,770
	2,662	7,287
	Company 2023 £000	Company 2022 £000
The deferred tax liability is made up as follows:		
Accelerated capital allowances	2,349	1,371
Other timing differences	114	124
	2,463	1,495

Notes to the financial statements - Continued

For the year ended 31 December 2023

23. RESERVES

Share premium

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account

This reserve comprises all the current and prior years' retained profits and losses.

Cash flow hedge reserve

The cash flow hedge reserve is used to record transactions arising from the group's hedging arrangements.

	2023 £000	2022 £000
At 1 January	(6,712)	(275)
Hedging gain/(loss)	6,182	(8,563)
Deferred tax (charge)/credit	(1,505)	2,126
At 31 December	(2,035)	(6,712)

24. SHARE CAPITAL

	2023 £000	2022 £000
Allotted, called up and fully paid		
18,797,465 – Ordinary shares of £0.10 each	1,880	1,880

Share capital represents the nominal value of shares that have been issued. The shares carry voting rights and an entitlement to dividends.

25. CAPITAL COMMITMENTS

At 31 December 2023 the group had capital commitments of £930,000 (2022 - £3,264,000) which were contracted but not provided for in the financial statements.

26. PENSION COMMITMENTS

The group and company operate defined contribution pension schemes for their employees. The assets of the schemes are held separately from those of the company in independently administered funds. The unpaid contributions at the year end, included in accruals and deferred income (see note 19) are £570,000 (2022 - £521,000).

Notes to the financial statements - Continued

For the year ended 31 December 2023.

27. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2023 the group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Land and buildings				
Not later than 1 year	720	731	185	170
Later than 1 year and not later than 5 years	1,901	1,882	493	623
Later than 5 years	406	625	-	-
	3,027	3,238	678	793
Other	£000	£000	£000	£000
Not later than 1 year	6	16	-	-
Later than 1 year and not later than 5 years	6	11	-	-
	12	27	-	-

28. COMMITMENTS UNDER FINANCE LEASES

At 31 December 2023 the group had future minimum lease payments under finance leases as follows:

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Not later than 1 year	1,723	62	1,669	-
Later than 1 year and not later than 5 years	4,751	63	4,742	-
Total gross payments	6,474	125	6,411	-
Less: finance charges	(910)	(11)	(907)	-
Carrying amount of liability	5,564	114	5,504	-

Finance leases relate to plant and machinery used in manufacturing processes.

Notes to the financial statements - Continued

For the year ended 31 December 2023

29. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under paragraph 33.1A of FRS 102 from disclosing transactions with wholly owned subsidiaries and the parent company Castledon Limited. Balances with group companies are disclosed in the debtors and creditors notes.

During the year the company made sales of £2,554,000 (2022 - £2,589,000) to Ipeco Service Centre Hong Kong Limited, a subsidiary company, and made purchases of £23,000 (2022 - £14,000) from Ipeco Service Centre Hong Kong Limited.

During the year the company made sales of £90,000 (2022 - £262,000) to Ipeco Service Centre Beijing Limited, a subsidiary company, and made purchases of £17,000 (2022 - £9,000) from Ipeco Service Centre Beijing Limited.

	Company 2023	Company 2022
The outstanding balances with related parties were as follows:		
Balances with group undertakings	£000	£000
Ipeco Inc.	5,457	4,208
Ipeco Singapore PTE Limited	2,001	2,378
hs2 Engineering GmbH	(82)	6
Ipeco Service Centre Hong Kong Limited	133	196
Ipeco Service Centre Beijing Limited	804	761
O.T.M. Servo Mechanism Limited	2,606	1,961
Ipeco Holdings Limited (FZE)	(8)	32
Balances with dormant subsidiaries	(15)	(15)
	10,896	9,527

There were no balances with other related parties at 31 December 2023 (2022 - £Nil).

30. CONTROLLING PARTY

In the opinion of the directors, the ultimate parent undertaking is Castledon Limited, a company registered in England.

The directors consider the ultimate controlling party to be the Johnson family.

The consolidated accounts of the parent company Castledon Limited can be obtained from Companies House, Cardiff, CF14 3UZ.