

Registration number: 01454059

Blanc Aero Industries UK Limited

Annual report and audited financial statements

for the year ended 31 December 2022

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Blanc Aero Industries UK Limited

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Blanc Aero Industries UK Limited

Company information

Directors	C Dejean E Viellard M Capell E Neildez
Company secretary	S Tomes
Registered office	38 Butlers Leap Rugby Warwickshire CV21 3RQ
Auditors	Ernst & Young LLP No.1 Colmore Square Birmingham B4 6HQ

Blanc Aero Industries UK Limited

Strategic report For the year ended 31 December 2022

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

Principal activity

The company's principal activity during the year was the manufacture of aerospace fastening systems.

Business review and future developments

Sales were £38.4m, compared to £27.2m in 2021, an increase of 41%. This is due to the recovery in the aerospace industry from Covid 19 and increased demand from customers.

Pre tax profit margin increased to 17.5% in 2022, compared to 16.8% in 2021.

Increased revenues resulted in increased headcount, due to recruitment required to fulfil the increase in demand. Improvement in profitability is due to internal efficiencies in manufacturing processes and an increase in fast track orders which can achieve a higher margin.

2023 Forecast sales are in the region of £51m, and forecast profits in the region of £11m.

The company spent £0.7m (2021: £0.2m) on capital equipment in 2022 to continue buying modern and capable equipment to help maintain the company's manufacturing base to ensure that it is well placed for future growth and expansion. Focus of capital investment has shifted towards next generation of Smart Factory machines which will be capable of performing basic level of machine learning, ultimately leading to step change in operational efficiencies. The company aims to continue buying modern and capable equipment to help maintain the company's manufacturing base to ensure that it is well placed for future growth and expansion. Full scale roll out of the Smart Factory project is expected to cost approximately £5m in capital investment and be completed by 2026.

As part of the Smart Factory development, the company has been working closely with the University of Sheffield Advanced Manufacturing Research Centre (AMRC) and have jointly secured £975k in funding from the Aerospace Technology Institute, of which £600k has been made available to Blanc Aero UK Industries UK Limited from 2022 until 2024.

The company again had a strong cash position with £nil cash or cash equivalents and £38.9m (2021: £32.7m) in a cash pooling arrangement with group. The company had an average of 18 (2021: 23) days of purchases outstanding in trade payables.

Key performance indicators	Definition	2022	2021
Return on sales	PBT/turnover	17.5%	16.8%
Gross profit %	Gross profit/turnover	40.9%	37.4%
Operating working capital turns	Turnover/trade receivables + inventories - trade payables	5.5	4.1
Inventory turns	Annual cost of sales/inventories	3.1	2.3
Operating profit per employee (£k)	Operating profit/employees	26.4	11.4

Principal risks and uncertainties

Competitive risks

The company manages competitive trading risk by providing added value services to its customers, having fast response times not only in supplying products but also in handling all customer queries, and by maintaining strong relationships with customers.

Blanc Aero Industries UK Limited

Strategic report

For the year ended 31 December 2022 (continued)

Principal risks and uncertainties (continued)

Market risks

The company depends to a large extent on the state of the market in the aerospace sector. Dependence on a small number of major customers constitutes a risk that the company is trying to reduce by gaining new customers. Losing a major customer could nevertheless have a large impact. Even so, the company addresses this risk with extensive development work and the best possible service in terms of delivery, which results in establishing very close and stable customer relationships.

Liability risks

The company's sales are primarily technically sophisticated products with high safety standards. The company is therefore exposed to product liability risks. These risks are minimised by taking effective measures as part of process safety and quality assurance.

Environmental risks

The company complies with all current statutory regulations and will remain compliant to any additions via the Environment Act 2021. We hold all the required permits for all discharges and permitted waste. Blanc Aero Industries UK Limited is ISO14001 accredited and is also a member of the Energy Savings Opportunities Scheme (ESOS) via our energy broker which benefits from a zero Climate Change Levy, owing to having qualifying processes like heat treatment and metal forming. The company actively pursues reductions in its energy and water usage as well as reducing its emissions that could affect the local environment. Our organisations Corporate and Social Responsibility program also includes elements that affect our impact on the environment.

Financial instrument risks

The company has established a risk and financial management framework whose primary objectives are to protect the company from events that hinder the achievement of the company's performance objectives. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk.

Use of derivatives

The company undertakes certain transactions denominated in foreign currencies, principally the US dollar and Euro. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters as appropriate, and are monitored on a monthly basis by the company. It is currently the policy of the company to use US dollar forward foreign currency contracts in the form of exchange rate collars and exchange rate accumulators to manage its currency risk.

Exposure to credit risk

Credit risk is managed by agreeing payment terms in advance, including progress payments and upfront payments. Appropriate credit control procedures are followed where credit risk is perceived. Where credit risk is considered to be high, contracts must provide for payments to be made either by irrevocable letter of credit or payment before dispatch. The company has minimal third party debt and therefore has limited credit risk exposure.

Impact of Brexit

Following the decision by the UK population to exit from the European Union ("Brexit") in 2021, there has been minimal impact on the business and the directors do not consider this to constitute a principal risk to the business, however they will continue to monitor and assess it.

Blanc Aero Industries UK Limited

Strategic report

For the year ended 31 December 2022 (continued)

Impact of COVID-19

The impact of COVID-19 had a significant impact on the aerospace industry, resulting in a sharp decrease in demand for fastening systems. The company's largest customer reduced demand by 30-40% in 2020 and the first half of 2021. However, some large volume strategic orders were placed in the second half of 2021 and throughout 2022, resulting in increased demand approaching pre-covid levels.

Impact of political situation in Ukraine

The ongoing political situation in Ukraine has impacted global supply of Titanium. The company has applied strategies to mitigate this risk by placing advance orders to the end of 2023, and price increases have been allowed for in all financial forecasting.

There have been no changes post year end which would require impairment of assets reported at 31st December 2022.

Going concern

The directors reviewed several factors when considering whether the financial statements should be prepared on a going concern basis:

- The company's business activities, together with management's current view of circumstances likely to affect its future development, performance and financial position (summarised in the Strategic report on page 3).
- The financial position of the company, its principal risks and uncertainties, its cash flows and net cash position and policies for managing financial risk.
- Recent detailed financial forecasts and analysis.

Financial impact assessment

The company has a strong balance sheet with £38.9m of cash reserves. The cash reserves are held within a cash pooling arrangement at a group level. After considering this and the factors above, the directors have obtained a Letter of Support from the parent company, Compagnie Industrielle de Delle S.A, covering a period of at least 12 months from the date of these financial statements.

Blanc Aero Industries operates as part of an international group of companies which are known globally as Lisi Group. Lisi Group is split into 3 divisions, and Blanc Aero Industries is part of the Aerospace Division, of which the parent company is Lisi Aerospace SA. The ultimate parent company for Lisi Group Companies is Compagnie Industrielle de Delle SA.

Going concern - Lisi Group

The UK directors have made enquiries of the directors of the parent company about the parent company's ability to provide support and reviewed the group forecasts and a stress tested cash model which shows ability to support even in a severe downside scenario.

The latest forecast scenarios simulated under current conditions including the impacts of COVID 19 show that, given the robust nature of its balance sheet, the Group has no business continuity risk. Lisi Group reported €1.42bn sales in 2022 with EBIT of €89.1m.

Based on the above, the directors have a reasonable expectation that the company has adequate resources to operate for a period of 12 months from the date these financial statements were approved. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Blanc Aero Industries UK Limited

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

Operational impact

The company has based the forecast on the market not recovering to pre covid levels until at least 2024.

The company is constantly reviewing any impact that Covid 19 and the current political situation in Ukraine has had on supply chain, and have placed advanced orders for Titanium to ensure supply and to maintain lead times.

Section 172(1) statement

The directors' approach

The directors have promoted a culture of active collaborative teamwork and innovation in working practices and processes, with a strong emphasis on customer focus, and always with a high sense of integrity and honesty.

The directors have taken decisions and acted in the way which they consider, in good faith, to 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 (amongst other matters) to:

Maintaining our licence to operate

S172(1) (A) "The likely consequences of any decision in the long term"

Our strategy is to be among at least the top 3 worldwide in each of our product lines and to continue to build on strong operational performance: HSE, Quality, Productivity and delivery performance, with a focus on airframe Titanium HI-LITE™ pin market.

At the heart of our purpose are five shared values: looking beyond, communicating with transparency, cultivating innovation, developing our know-how and always aiming higher.

This is, in part, to be achieved by building on our established and mature culture of continuous improvement. This ensures the business remains viable both today, and in the future, by preparing for changes to the market place and flight habits, cost reduction within the supply chain, and through investing in technologies to minimise cost such as automation, enhance digitalisation and data management plus embracing industry 4.0 manufacturing practices.

Underpinning the strategy is a four year Strategic plan which ensures all key activities are aligned with the achievement of the long term goals. This process is perpetuated through all levels of the business to ensure a consistent and coordinated approach to the success of the business.

S172(1) (B) "The interests of the company's employees"

The directors identify the interests of the company's employees as key to the long term success of the business, and are committed to attract and retain the best employees and skills. This is seen both at a strategic level where attractiveness of the business is identified as one of the four key drivers, and at the operational level where safety is of primary importance.

Attractiveness is addressed through active engagement with local universities and colleges, through the development and implementation of new technologies, employee development and training and through the provision of a safe and pleasant working environment.

The safety and wellbeing of the company's employees is demonstrated through the performance indicators, for example no lost time accidents in the last seven years. As well as physical wellbeing, the mental health of employees is also of great importance, and the company has trained and provided mental health coaches to support the workforce with any issues they have. The company has been awarded the Investors in People Gold award, along with the Investors in People Wellbeing Gold award. The company has also recently become the national winner of the TMMX Awards People and Skills category for 2022 and was placed as runner up in the MAKE UK Manufacturing Matters wellbeing category.

Blanc Aero Industries UK Limited

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

Section 172(1) statement (continued)

Maintaining our licence to operate (continued)

S172(1) (B) “The interests of the company’s employees” (continued)

The provision of an active Works council ensures that the employees, as stakeholders, have visibility and input to decision making, as deemed appropriate and that effective communication channels are maintained.

Wherever possible, full time employees are favoured over temporary staff which provides the employees with our full benefits package and provides the company with a stable, skilled workforce with low turnover and absence rates. Flexible working arrangements are also available for the office staff. The apprenticeship levy is utilised to build skills for the future workforce through the employment of apprentices throughout the different aspects of the business. The company is also part of the Next gen makers (Make.UK) apprentice scheme.

S172(1) (C) “The need to foster the company’s business relationships with suppliers, customers and others”

In order to achieve the long term goals of the company, the directors recognise that long term relationships are required with many stakeholders, including customers and suppliers of products and services.

Stakeholders are identified through the CSR process in line with the LISI Group's sustainable development strategy, structured around three entry points called the 3Ps: PEOPLE, PLANET, PROFIT with a clear action plan and steering committee.

Strong relationships have been fostered with, amongst others, specialist organisations such as the AMRC who support the smart factory initiative, equipment developers and integrators, tooling suppliers and raw material suppliers. Relationships with a number of universities have been built to provide a mutually beneficial process of knowledge sharing.

Strong communication is key to business relationships and is supported through regular review meetings and accurate reporting of performance targets and indicators.

Communication is maintained with group stakeholders through regularly timetabled Management meetings and a well-defined digitalised escalation and communication process.

S172(1) (D) “The impact of the company’s operations on the community and the environment”

The company has a well-established ISO14001 system and subscribes to the Energy Savings Opportunity Scheme (ESOS) and Climate Change Levy (CCL) schemes.

These processes identify all environmental risks which are proactively managed and incorporate an energy reduction plan.

Lisi Group is currently working towards ISO50001. The group has now also attained the ISO45001 accreditation in Health and Safety and has implemented a Corporate, Social Responsibility program, where engagement with the local community is promoted.

S172(1) (E) “The desirability of the company maintaining a reputation for high standards of business conduct”

BAIUK actively embraces all Lisi group standards for key business activities, including financial control, purchasing, health, safety and environmental, supply chain and continuous improvement. Achievement in these programs is identified via assessment to strict criteria and recognised via number of Group awards.

BAIUK is compliant with all reporting on modern slavery and gender equality.

Blanc Aero Industries UK Limited

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

Section 172(1) statement (continued)

Maintaining our licence to operate (continued)

S172(1) (F) "The need to act fairly as between members of the company"

The directors take action which, after considering all relevant factors, will benefit the success of the business in the long term.

Actions taken by the directors take into consideration the impact on stakeholders but are not required to balance the company's interest with those of other stakeholders, and this can mean that sometimes certain stakeholder interests may not be fully aligned.

Post balance sheet events

Details of events after the reporting date can be found in note 28.

Streamlined energy and carbon reporting (SECR)

The company has reported on all sources of carbon emissions and energy usage required under The Companies Act 2006 (Strategic report and Directors' Report) Regulations 2013 and The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018; the latter commonly referred to as Streamlined Energy & Carbon Reporting (SECR).

The gross greenhouse gas (GHG) emissions for Blanc Aero Industries UK Ltd are 1,545 tonnes of carbon dioxide equivalent (tCO₂e) at an emissions intensity of 6.64 tCO₂e per tonne production for the period 1st January 2022 to 31st December 2022. This is a decrease of -1.1 % emissions and -20.8% intensity compared with the previous year.

The gross GHG emissions figure includes all material Scope 1, 2 plus Scope 3 required to disclosed by the legislation; that is the emissions associated with the purchase of electricity, the combustion of gas and the consumption of fuel for the purposes of transport.

Blanc Aero Industries UK Ltd's greenhouse gas emissions are broken down in the following sections.

Blanc Aero Industries UK Limited

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

Greenhouse Gas Emissions:

Emissions Source (tCO ₂ e)	2022	% of Total	2021	Year on Year
Fuel combustion: stationary (Natural Gas & LPG)	93	6.0%	139	-32.8%
Fuel combustion: mobile (Transport Fuel)	7	0.5%	7	-0.5%
Purchased electricity	1,445	93.5%	1,417	+1.9%
Total emissions (tCO₂e)	1,545	100%	1,563	-1.1%

Production (tonne)	233		187	-14.1%
Intensity: (tCO ₂ e per tonne)	6.64		8.4	-20.8%

Emissions source	Scope 1	Scope 2	Scope 3	Total
Fuel combustion: stationary (Natural Gas & LPG)	93	-	-	93
Fuel combustion: mobile (Transport Fuel)	7	-	-	7
Purchased electricity	-	1,324	121	1,445
Total	100	1,324	121	1,545

Share of total	6.5%	85.7%	7.8%	100%
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Greenhouse Gas Emissions and energy consumption

Scope 1: Natural Gas and company operated transport. Scope 2: Electricity transmission and distribution losses. This includes only emissions reportable under SECR and may not reflect the entire carbon footprint of the organisation.

Energy consumption (kWh)	2022	% of Total	2021	Year on Year
Fuel combustion: stationary (Natural Gas & LPG)	510,312	6.9%	756,871	-32.6%
Fuel combustion: mobile (Transport Fuel)	28,143	0.4%	28,358	-0.8%
Purchased electricity	6,847,794	92.7%	6,134,185	+11.6%
Total Consumption	7,386,249	100%	6,919,414	-6.0%

Production (tonne)	233		187	+24.8%
Intensity: (kWh per tonne production)	31,742		37,002	-14.2%

Blanc Aero Industries UK Limited

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

Boundary, Methodology and Exclusions

The data contained in this document is calculated and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, March 2019.

An 'operational control' approach has been used to define the Greenhouse Gas emissions boundary. This approach captures emissions associated with the operation of buildings within the scope of the regulation, plus transport; company-owned vehicles used for business travel. This report covers UK operations only, as required by SECR for Non-Quoted Large companies. The report also includes transmission and distribution (T&D), this is a voluntary scope 3 emission that means the losses in transmission between sources of supply and points of distribution are included in the carbon emissions.

By combining the T&D emissions with those from the generation of purchased electricity provides the emissions associated with electricity consumption, which is considered best practice.

Blanc Aero Industries UK Ltd is not listed on a stock exchange such as the London Stock Exchange, so is classified as a Non-Quoted Large company for the purpose of regulatory compliance.

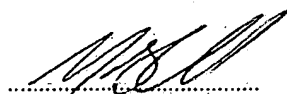
Emissions have been calculated using the 2022 conversion factors provided by Department for Business, Energy & Industrial Strategy. The reporting period is January 2022 to December 2022.

Energy Efficiency Initiatives

Blanc Aero Industries UK Ltd always aims to operate at maximum energy efficiency in order to minimise our environmental impact and reduce our operating costs. Energy efficiency measures undertaken in the reporting year include:

- Fluid recirculation pumps installed to agitate process tanks previously agitated by compressed air.
- Continued rationalisation of compressor usage
- Commencement of Solar Pv project was commissioned in July 2023
- Energy audit conducted in support of ESOS Phase 3 compliance.

Approved by the Board on 26/09/23 and signed on its behalf by:



M Capell
Director

Blanc Aero Industries UK Limited

Directors report For the year ended 31 December 2022

The directors present their annual report on the affairs of Blanc Aero Industries UK Limited ("the company"), together with the financial statements and auditor's report, for the year ended 31 December 2022.

Directors' of the company

The directors, who served throughout the year and up to the date of signing, were as follows:

C Dejean

E Viellard

M Capell

E Neildez

Principal activity

Details of the principal activity can be found in the Strategic report, page 2.

Results and dividends

Profit for the year amounted to £5,506k (2021: £3,642k). The directors did not recommend the payment of an interim dividend during the year (2021: £nil). Subsequent to year end a dividend of £35m was declared and paid on 17 July 2023.

Going concern

The directors reviewed several factors when considering whether the financial statements should be prepared on a going concern basis. Details of the going concern can be found in the Strategic report, page 4.

Future developments

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic report on page 2 to 9 and form part of this report by cross-reference.

Directors' qualifying third party indemnity provisions

The company has granted indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Employees

Details of the number of employees and related costs can be found in note 11 to the financial statements.

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 being disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees. The company participates in the Lisi Group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings. Employee representatives are consulted regularly on a wide range of matters affecting their interests.

Supplier payment policy

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with. At 31 December 2022, the company had an average of 18 (2021: 23) days of purchases outstanding in trade payables.

Blanc Aero Industries UK Limited

**Directors report
For the year ended 31 December 2022 (continued)**

Auditor

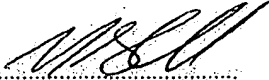
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Ernst & Young LLP have expressed their willingness to continue in office as auditor's and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 26/1/23 and signed on its behalf by:



M Capell
Director

Blanc Aero Industries UK Limited

Directors' responsibilities statement

The directors are responsible for preparing the annual report including the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

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

Independent auditor's report to the members of Blanc Aero Industries UK Limited

Opinion

We have audited the financial statements of Blanc Aero Industries UK Limited for the year ended 31 December 2022 which comprise the Profit and Loss Account, The Statement of Comprehensive Income, The Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework", (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its 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 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 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 company's ability to continue as a going concern for a period of 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained with the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Independent auditor's report to the members of Blanc Aero Industries UK Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent auditor's report to the members of Blanc Aero Industries UK Limited (continued)

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant tax compliance regulations in the regions in which the company operates. In addition, the Company has to comply with laws and regulations relating to its operations, including occupational health and safety, environmental, International Organisation for Standardisation (ISO) 14000 and General Data Protection Regulation (GDPR).
- We understood how Blanc Aero Industries UK Limited is complying with those frameworks by making enquiries of management and those charged with governance to understand how the company maintains and communicates its policies and procedures in these areas. We understood any controls put in place by management to reduce the opportunities for fraudulent transactions.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. We understood the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, in respect of management override, including as related to recognition of revenue and the processing of manual adjustments, we performed audit procedures to address the identified fraud risk. These procedures included testing manual journals to revenue and those journals for the purpose of large or unusual transactions. We have considered the nature of these transactions and for those that we did not consider to be in the normal course of the business and are not of a trivial value we obtained evidence to support the validity of the transactions. Our procedures were designed to provide reasonable assurance that the company financial statements were free from material misstatement.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved understanding management's internal controls over compliance with laws and regulations, enquiries of management and performing focused testing by considering key phrases in identifying journals for further review. We verified that material transactions are recorded in compliance with FRS 101 and where appropriate Companies Act 2006.

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

Use of our report

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

DocuSigned by:
Ernst & Young LLP

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Adam Gittens (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

Date: 28 September 2023

Blanc Aero Industries UK Limited

Profit and loss

For the year ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Turnover	5	38,448	27,245
Cost of sales		<u>(22,716)</u>	<u>(17,044)</u>
Gross profit		15,732	10,201
Distribution costs		(317)	(295)
Administrative expenses		(9,055)	(7,409)
Other operating income	6	<u>210</u>	<u>148</u>
Operating profit	7	6,570	2,645
Interest receivable and similar income	9	2,097	2,211
Interest payable and similar expenses	10	<u>(1,925)</u>	<u>(288)</u>
Profit before taxation		6,742	4,568
Tax on profit	13	<u>(1,236)</u>	<u>(926)</u>
Profit for the financial year attributable to owners of the company		<u>5,506</u>	<u>3,642</u>

The above results were derived from continuing operations.

Blanc Aero Industries UK Limited

**Statement of comprehensive income
For the year ended 31 December 2022**

	Note	2022 £ 000	2021 £ 000
Profit for the financial year		<u>5,506</u>	<u>3,642</u>
Items that will not be reclassified subsequently to profit or loss			
Actuarial (loss)/gain on defined benefit pension scheme	23	(2,116)	1,313
Tax on actuarial gain/(loss) on defined benefit pension scheme	21	<u>529</u>	<u>(326)</u>
		<u>(1,587)</u>	<u>987</u>
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges:			
Fair value on gains/(losses) arising during the year		313	(1,374)
Deferred tax on gains arising during the year	21	<u>(78)</u>	<u>258</u>
		<u>235</u>	<u>(1,116)</u>
Total comprehensive income for the year attributable to the owners of the company		<u>4,154</u>	<u>3,513</u>

The notes on pages 20 to 49 form an integral part of these financial statements.

Blanc Aero Industries UK Limited

**Balance sheet
As at 31 December 2022**

	Note	2022 £ 000	2021 £ 000
Fixed assets			
Tangible assets	14	6,447	6,770
Right-of-use assets	15	3,191	3,599
		<u>9,638</u>	<u>10,369</u>
Current assets			
Stocks	16	7,314	7,304
Debtors: amounts falling due within one year	17	46,691	39,602
Financial assets	18	358	45
		<u>54,363</u>	<u>46,951</u>
Creditors: amounts falling due within one year	19	(5,770)	(3,947)
Net current assets		<u>48,593</u>	<u>43,004</u>
Total assets less current liabilities		<u>58,231</u>	<u>53,373</u>
Provisions for liabilities	20	(13)	(29)
Deferred tax liabilities	21	(214)	(491)
Lease liabilities	22	(2,603)	(3,694)
Net pension (deficit)/surplus	23	(618)	1,470
Net assets		<u>54,783</u>	<u>50,629</u>
Capital and reserves			
Called-up share capital	26	100	100
Share premium account	26	209	209
Cash flow hedge reserve	26	287	52
Profit and loss account	26	54,187	50,268
Total shareholders' funds		<u>54,783</u>	<u>50,629</u>

The financial statements of Blanc Aero Industries UK Limited (registration number: 01454059) were approved by the Board of directors and authorised for issue on 26/09/23

They were signed on its behalf by:



M Capell
Director

The notes on pages 20 to 49 form an integral part of these financial statements.

Blanc Aero Industries UK Limited

**Statement of changes in equity
For the year ended 31 December 2022**

	Called-up share capital £ 000	Share premium account £ 000	Cash flow hedge reserve £ 000	Profit and loss account £ 000	Total £ 000
Balance at 1 January 2021	100	209	1,168	45,639	47,116
Profit for the financial year	-	-	-	3,642	3,642
Other comprehensive (loss)/income	-	-	(1,116)	987	(129)
Total comprehensive income for the year	-	-	(1,116)	4,629	3,513
Balance at 31 December 2021	100	209	52	50,268	50,629
	Called-up share capital £ 000	Share premium account £ 000	Cash flow hedge reserve £ 000	Profit and loss account £ 000	Total £ 000
Balance at 1 January 2022	100	209	52	50,268	50,629
Profit for the financial year	-	-	-	5,506	5,506
Other comprehensive (loss)/income	-	-	235	(1,587)	(1,352)
Total comprehensive income for the year	-	-	235	3,919	4,154
Balance at 31 December 2022	100	209	287	54,187	54,783

The notes on pages 20 to 49 form an integral part of these financial statements.

Blanc Aero Industries UK Limited

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

1 General information

Blanc Aero Industries UK Limited is a private company limited by shares incorporated in England and Wales and domiciled in the United Kingdom.

The address of its registered office is:

38 Butlers Leap
Rugby
Warwickshire
CV21 3RQ

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates. Amounts have been recorded to the nearest thousand pounds unless otherwise stated.

The nature of the company's operations and principal activities are set out in the Strategic report on page 2.

2 Adoption of new and revised Standards

New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the company has applied the following amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current;
- Amendments to IFRS 3 - Reference to the Conceptual Framework;
- Amendments to IAS 16 - Property, Plant and Equipment-Proceeds before Intended Use;
- Annual Improvements to IFRS Standards 2018-2020 Cycle - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases.

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

- IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17) Insurance Contracts
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies
- Amendments to IAS 8 Definition of Accounting Estimates
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Blanc Aero Industries UK Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

3 Significant accounting policies

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

These financial statements have been prepared on a going concern basis in accordance with Financial Reporting Standards issued by the Financial Reporting Council, and applicable legal and regulatory requirements of the Companies Act 2006.

Basis of accounting

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the company has adopted FRS 101.

The company has taken advantage of the following disclosure exemptions available under FRS 101:

- (a) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 73(e) of IAS Property, Plant and Equipment;
- (b) the requirements of IAS 7 Statement of Cash Flows;
- (c) the requirements of paragraph 17 of IAS 24 Related Party Disclosure;
- (d) the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined); and
- (e) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- (f) the requirements to disclose information relating to new IFRS standards which have been issued but which are not yet effective, including an assessment of the possible impact that it will have when it is adopted for the first time.

Where relevant, equivalent disclosures have been given in the group accounts of Compagnie Industrielle de Delle S.A., available to the public and may be obtained from 28 Faubourg De Belfort, Delle, 90100, France.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at revalued amounts at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Blanc Aero Industries UK Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

3 Significant accounting policies (continued)

Basis of accounting (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Going concern

The directors reviewed several factors when considering whether the financial statements should be prepared on a going concern basis:

- The company's business activities, together with management's current view of circumstances likely to affect its future development, performance and financial position.
- The financial position of the company, its principal risks and uncertainties, its cash flows and net cash position and policies for managing financial risk.
- Parent company support.
- Recent detailed financial forecasts and analysis.

Financial impact assessment

The company has a strong balance sheet with £38.9m of cash reserves. The cash reserves are held within a cash pooling arrangement at a group level. After considering this and the factors above, the directors have obtained a Letter of Support from the parent company, Compagnie Industrielle de Delle S.A, covering a period of at least 12 months from the date of these financial statements.

Blanc Aero Industries operates as part of an international group of companies which are known globally as Lisi Group. Lisi Group is split into 3 divisions, and Blanc Aero Industries is part of the Aerospace Division, of which the parent company is Lisi Aerospace SA. The ultimate parent company for Lisi Group Companies is Compagnie Industrielle de Delle SA.

Going concern - Lisi Group

The UK directors have made enquiries of the directors of the parent company about the parent company's ability to provide support and reviewed the group forecasts and a stress tested cash model which shows ability to support even in a severe downside scenario.

The latest forecast scenarios simulated under current conditions including the impacts of COVID 19 show that, given the robust nature of its balance sheet, the Group has no business continuity risk. Lisi group reported €1.42bn sales in 2022 with EBIT of €89.1m.

Based on the above, the directors have a reasonable expectation that the company has adequate resources to operate for a period of 12 months from the date these financial statements were approved. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Blanc Aero Industries UK Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

3 Significant accounting policies (continued)

Revenue recognition

Revenue distributes across United Kingdom, Europe and rest of the world, which is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Revenue is measured based on the consideration to which the company expects to be entitled 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.

Sale of goods

Revenue from the sale of goods is recognised when the control of the goods have passed to the buyer, usually on dispatch of the goods.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the group and the amount can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets net carrying amount on initial recognition.

Government grants

Government grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the company should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the company with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants towards staff re-training costs are recognised as income over the periods necessary to match them with the related costs and are presented as a credit in the statement of comprehensive income within 'other operating income'.

Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the company operates (its functional currency).

Transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Fair value is determined in the manner described in note 18. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Blanc Aero Industries UK Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

3 Significant accounting policies (continued)

Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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 balance sheet 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 the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Blanc Aero Industries UK Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

3 Significant accounting policies (continued)

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and assets under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant and machinery	10-15 years straight line method
Furniture, fittings and equipment	3-5 years straight line method

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, 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 balance sheet 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 the effect of the time value of money is material).

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.

Leases

The company as a Lessee

The company assesses whether a contract is or contains a lease, at inception of the contract. The company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as mobile phones and photocopiers). For these leases, the company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Blanc Aero Industries UK Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

3 Significant accounting policies (continued)

Leases (continued)

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The company did not make any such adjustments during the periods presented.

Right-of-use asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Blanc Aero Industries UK Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

3 Significant accounting policies (continued)

Leases (continued)

Right-of-use asset (continued)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the balance sheet.

The company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Tangible fixed assets' policy.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade receivables

Trade receivables are amounts due from customers for product sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. At each reporting 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 profit or loss.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Blanc Aero Industries UK Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

3 Significant accounting policies (continued)

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined benefit pension scheme

The company operates a defined benefit pension scheme for employees, which requires contributions to be made to a separately administered fund. The assets of the scheme are held separately from those of the company. The scheme was closed to new members after 1 January 2006 and closed to future accrual from 31 March 2007, from which time membership of a defined contribution plan has been available.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice.

Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss recognised in the profit and loss account during the period which the settlement or curtailment occurs. The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on the discount rate for liabilities as dictated by IAS 19R. The difference between the expected return on plan assets and the interest cost is recognised in the profit and loss account as other finance income or expense.

The defined benefit pension asset or liability in the balance sheet comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the company expects to recover by way of refunds from the plan or reductions in the future contributions.

At the year end, the company reviews plan assets and obligations. The effects of any change in actuarial assumptions together with the differences between forecasted and actual experience are assessed. Re-measurements are recognised in full in other comprehensive income in the period in which they occur.

Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable.

Blanc Aero Industries UK Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

3 Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; 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.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the 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.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

Blanc Aero Industries UK Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

3 Significant accounting policies (continued)

Financial assets (continued)

(i) Amortised cost and effective interest method (continued)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the 'interest receivable and similar income' line item (note 9).

(ii) Debt instruments classified as at FVTOCI

Debt instruments classified as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, impairment gains or losses and interest income calculated using the effective interest method (see (i) above) are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these assets had been measured at amortised cost. All other changes in the carrying amount are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these assets are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The company has not designated any debt instruments as at FVTPL.

Blanc Aero Industries UK Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

3 Significant accounting policies (continued)

Financial assets (continued)

(iii) Financial assets at FVTPL (continued)

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'Interest receivable and similar income' line item (note 9). Fair value is determined in the manner described in note 18.

Impairment of financial assets

The company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade debtors and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The company always recognises lifetime ECL for trade debtors and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort on a similar income line item. Forward-looking information considered includes the future prospects of the industries in which the company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the company's core operations.

Blanc Aero Industries UK Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

3 Significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the company has reasonable and supportable information that demonstrates otherwise.

(ii) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the company expects to receive, discounted at the original effective interest rate.

If the company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account and does not reduce the carrying amount of the financial asset in the balance sheet.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Blanc Aero Industries UK Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

3 Significant accounting policies (continued)

Financial liabilities and equity (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other finance costs - pensions' line item (note 9) in profit or loss.

Fair value is determined in the manner described in note 18.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) held-for-trading, or (ii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Blanc Aero Industries UK Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 key assumptions concerning the future, and other key sources of estimation uncertainty at the Balance Sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Discount rate used to determine the carrying amount of the company's defined benefit obligation

The determination of the company's defined benefit obligation depends on certain assumptions, which include selection of the discount rate. The discount rate is set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant assumptions are required to be made when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the company's financial statements within the next year. Further information on the carrying amounts of the company's defined benefit obligation and the sensitivity of those amounts to changes in discount rate are provided in note 23.

Blanc Aero Industries UK Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

5 Turnover

The company has one primary business segment, the manufacture of aerospace fastening systems.

All of the company's assets and liabilities are located in the UK. The company's geographical segments are based on the location of the company's customers.

31 December 2022

	UK £ 000	Europe £ 000	Rest of the World £ 000	Total £ 000
Sales to external customers	1,813	-	3,081	4,894
Sales to group companies	-	33,518	36	33,554
	<u>1,813</u>	<u>33,518</u>	<u>3,117</u>	<u>38,448</u>

31 December 2021

	UK £ 000	Europe £ 000	Rest of the World £ 000	Total £ 000
Sales to external customers	409	-	2,460	2,869
Sales to group companies	-	24,304	72	24,376
	<u>409</u>	<u>24,304</u>	<u>2,532</u>	<u>27,245</u>

6 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2022 £ 000	2021 £ 000
Government grants	<u>210</u>	<u>148</u>

Blanc Aero Industries UK Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

7 Operating profit

Operating profit for the year has been arrived at after charging:

	2022 £ 000	2021 £ 000
Depreciation of Tangible fixed assets	1,002	1,071
Depreciation of Right-of-use assets	408	424
Loss on disposal of Tangible fixed assets	2	8
Staff costs (note 11)	11,928	9,744
Cost of stock recognised as an expense (included in cost of sales)	11,347	9,646
Operating lease expense	612	513

8 Auditor's remuneration

	2022 £ 000	2021 £ 000
Auditors' remuneration - audit of these financial statements	55	45

9 Interest receivable and similar income

	2022 £ 000	2021 £ 000
Interest receivable on intercompany loan	716	316
Foreign exchange gains	1,353	1,894
Other finance income - pension costs	28	1

10 Interest payable and similar expenses

	2022 £ 000	2021 £ 000
Foreign exchange losses	1,871	228
Interest on lease liabilities	54	60

Blanc Aero Industries UK Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

11 Staff numbers costs

The aggregate remuneration comprised:

	2022	2021
	£ 000	£ 000
Wages and salaries	10,331	8,415
Social security costs	1,154	914
Pension costs, defined contribution scheme	443	415
	<u>11,928</u>	<u>9,744</u>

The average monthly number of employees (including executive directors) was:

	2022	2021
	No.	No.
Productive labour	183	172
Non-productive labour	51	44
Administration and clerical and selling	19	19
	<u>253</u>	<u>235</u>

12 Directors' remuneration

Directors emoluments:

	2022	2021
	£ 000	£ 000
Emoluments	106	95
Contributions to defined contribution pension schemes	4	4

Number of directors in pension schemes:

	2022	2021
	No.	No.
Defined contribution schemes	<u>1</u>	<u>1</u>

During the year only one director received any remuneration and benefits from the company and the above amounts relate solely to that director.

Certain directors are directors of other group companies and did not receive any remuneration from the company in respect of their services as directors of Blanc Aero Industries UK Limited.

Blanc Aero Industries UK Limited

**Notes to the financial statements
For the year ended 31 December 2022 (continued)**

13 Tax on profit

Tax charged for the year in the profit and loss account:

	2022 £ 000	2021 £ 000
Current taxation		
UK corporation tax	1,143	796
Adjustments to tax charge in respect of previous periods	<u>(80)</u>	<u>121</u>
	<u>1,063</u>	<u>917</u>
Deferred taxation		
Current year	153	74
Adjustment in respect of previous periods	20	(104)
Effect of changes in tax rates	<u>-</u>	<u>39</u>
Total deferred taxation	<u>173</u>	<u>9</u>
Tax expense in the profit and loss account	<u>1,236</u>	<u>926</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2021: higher than the standard rate of corporation tax in the UK) of 19% (2021: 19%).

The differences are reconciled below:

The charge for the year can be reconciled to the profit before tax as follows:

	2022 £ 000	2021 £ 000
Profit before tax	<u>6,742</u>	<u>4,568</u>
Corporation tax at standard rate in the UK of 19% (2021: 19%)	1,281	868
Effects of:		
Adjustment in respect of previous periods	(60)	17
Tax effect of expenses that are not deductible in determining taxable profit	(8)	15
Income not taxable	(14)	(8)
Impact of rate changes on deferred tax	37	39
Timing difference	<u>-</u>	<u>(5)</u>
Total tax charge	<u>1,236</u>	<u>926</u>

Blanc Aero Industries UK Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

13 Tax on profit (continued)

Factors that may affect future tax charges

Legislation has been introduced in the Finance Bill 2021 to set the Corporation Tax main rate at 25% for financial years beginning 1 April 2023.

There were no other factors that may affect future tax charges.

14 Tangible assets

	Plant and machinery £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation			
At 1 January 2022	24,212	982	25,194
Additions	681	-	681
Disposals	(175)	-	(175)
At 31 December 2022	<u>24,718</u>	<u>982</u>	<u>25,700</u>
Depreciation			
At 1 January 2022	17,456	968	18,424
Charge for the year	993	9	1,002
Eliminated on disposal	(173)	-	(173)
At 31 December 2022	<u>18,276</u>	<u>977</u>	<u>19,253</u>
Carrying amount			
At 31 December 2022	<u>6,442</u>	<u>5</u>	<u>6,447</u>
At 31 December 2021	<u>6,756</u>	<u>14</u>	<u>6,770</u>

Blanc Aero Industries UK Limited

**Notes to the financial statements
For the year ended 31 December 2022 (continued)**

15 Right-of-use assets

	Buildings £ 000	Cars £ 000	Total £ 000
Cost			
At 1 January 2022	4,726	81	4,807
Additions	-	-	-
At 31 December 2022	<u>4,726</u>	<u>81</u>	<u>4,807</u>
Accumulated depreciation			
At 1 January 2022	1,168	40	1,208
Charge for the year	395	13	408
At 31 December 2022	<u>1,563</u>	<u>53</u>	<u>1,616</u>
Carrying amount			
At 31 December 2022	<u>3,163</u>	<u>28</u>	<u>3,191</u>
At 31 December 2021	<u>3,558</u>	<u>41</u>	<u>3,599</u>

	2022 £	2021 £
Amounts recognised in profit and loss account		
Depreciation expense on right-of-use-assets	408	424
Interest expense on lease liabilities	54	60
Adjustment relating to short-term leases	(434)	(463)
Adjustment relating to leases of low value assets	(28)	(25)
	<u>-</u>	<u>(4)</u>

16 Stocks

	2022 £ 000	2021 £ 000
Raw materials and consumables	1,151	760
Work in progress	2,015	2,421
Finished goods and goods for resale	<u>4,148</u>	<u>4,123</u>
	<u>7,314</u>	<u>7,304</u>

The above values represent cost less a reduction to net realisable value based on turnover and completion times. The amount of net write-down of inventories recognised as a charge to the income statement is £255k (2021: £91k).

Blanc Aero Industries UK Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

17 Debtors: amounts falling due within one year

	2022	2021
	£ 000	£ 000
Trade debtors	455	303
Amounts owed by group undertakings	45,472	38,578
Other debtors	386	516
Prepayments and accrued income	27	113
Income tax asset	351	92
	<u>46,691</u>	<u>39,602</u>

Amounts owed by group undertakings are unsecured, repayable on demand and do not bear interest.

Trade debtors are denominated in the following currencies:

	2022	2021
	£ 000	£ 000
Sterling	61	28
Euro	-	-
US dollar	394	191
	<u>455</u>	<u>219</u>

Out of the carrying amount of trade debtors of £455k (2021: £303k), £454k (2021: £279k) is against 7 (2021: 8) major customers.

Trade debtors are non-interest bearing and generally on 30-60 day terms and are shown net of a provision for impairment.

As at 31 December 2022, the analysis of trade debtors that were past due and not impaired is as follows:

	2022	2021
	£ 000	£ 000
0-30 days	98	-
30 days plus	18	-

The credit quality of trade debtors that are neither past due nor impaired is assessed by reference to external credit ratings where available, otherwise internal credit limits and historical information relating to counterparty default rates is used.

In 2022 the movement in the provision for impairment of debtors was £6k (2021: £nil).

Blanc Aero Industries UK Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

17 Debtors: amounts falling due within one year (continued)

The company's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in the financial risk management and impairment note.

Trade debtors above include amounts (detailed above) that are past due at the end of the reporting period and which an allowance for doubtful debts has not been recognised as the amounts are still considered recoverable and there hasn't been a significant change in credit quality.

18 Financial assets

	2022	2021
	£ 000	£ 000
Forward currency hedging contracts	<u>358</u>	<u>45</u>

The company utilises interest rate collars which provide a fixed exchange rate in the event that spot rates fall below, or move above, predetermined levels. These forward currency hedging contracts are designated as hedges in respect of future sales in euros to fellow group companies. These cash flow hedges against expected future sales in 2023 were assessed to be highly effective and as at 31 December 2022, a net unrealised gain of £313k (2021: loss of £1,374k), with a related deferred tax charge of £78k (2021: credit of £258k), was included in other comprehensive income in respect of these hedging contracts. At 31 December 2022, the fair value of these hedging instruments was £358k asset (2021: £45k).

All of the valuation techniques used to derive the fair values of the forward currency hedging contracts are considered to fall under a "level 2" designation as defined in IFRS 13 in that all the inputs that have a significant effect on the valuation are observable, either indirectly or directly.

19 Creditors: amounts falling due within one year

	2022	2021
	£ 000	£ 000
Trade creditors	1,099	1,027
Accruals and deferred income	2,148	1,506
Amounts owed to group undertakings	668	537
Social security and other taxes	1,135	855
Other creditors	23	7
Loans and borrowings	-	15
Lease liabilities	<u>697</u>	<u>-</u>
	<u>5,770</u>	<u>3,947</u>

Amounts owed to group undertakings are unsecured, repayable on demand and do not bear interest.

Trade creditors are non-interest bearing and are normally on 45 days net terms. Other payables are non-interest bearing and are normally settled on 30 days terms.

Blanc Aero Industries UK Limited

**Notes to the financial statements
For the year ended 31 December 2022 (continued)**

20 Provisions for liabilities

	Onerous contract provision	Provision for legal proceedings	Total
	£000	£000	£000
At 1 January	9	20	29
Provided in the year	6	-	6
Utilised in the year	<u>(3)</u>	<u>(20)</u>	<u>(23)</u>
At 31 December	<u>12</u>	<u>-</u>	<u>12</u>
Analysed as:			
Current	<u>12</u>	<u>-</u>	<u>12</u>
	<u>12</u>	<u>-</u>	<u>12</u>

Onerous contract provision

Group margin adjustment and project work commitments.

Provision for legal proceedings

Potential legal fees for employment tribunals:

All provisions to be utilised in 2023:

21 Deferred tax

Deferred tax is calculated on temporary differences under the liability method using a tax rate of 25% (2021: 25%) which represents the future corporation tax rate that was enacted at the balance sheet date. The movement on deferred tax account is shown below:

	2022	2021
	£ 000	£ 000
At 1 January	491	415
Charge/(credit) to profit or loss	153	114
Credit to comprehensive income	(450)	68
Adjustment in respect of prior years	20	(106)
At 31 December	<u>214</u>	<u>491</u>

Blanc Aero Industries UK Limited

**Notes to the financial statements
For the year ended 31 December 2022 (continued)**

21 Deferred tax (continued)

The deferred tax included in the balance sheet is as follows:

	2022	2021
	£ 000	£ 000
Deferred tax liability		
Fixed assets	302	130
Temporary differences trading	(23)	(18)
Temporary differences non trading	89	11
Pensions	55	48
Pension OCI	(209)	320
	<u>214</u>	<u>491</u>

22 Lease liabilities

Maturity analysis

	2022	2021
	£ 000	£ 000
Maturity analysis:		
Year 1	697	476
Year 2	550	466
Year 3	545	454
Year 4	545	451
Year 5	545	451
Onwards	418	1,396
	<u>3,300</u>	<u>3,694</u>
Less: unearned interest	-	-
	<u>3,300</u>	<u>3,694</u>
Analysed as:		
Non-current	2,603	3,694
Current	697	-
	<u>3,300</u>	<u>3,694</u>

The company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored by management and the parent, LISI SA.

Blanc Aero Industries UK Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

22 Lease liabilities (continued)

Movement in lease liability during the year

	2022	2021
	£ 000	£ 000
Liability recognised at 1 January	3,694	3,892
Profit and loss rent	(394)	(198)
Balance as at 31 December	<u>3,300</u>	<u>3,694</u>

23 Pensions and other post-retirement benefits

The company operates a defined benefit scheme in the UK. The scheme is approved by the Inland Revenue under Chapter I Part XIV of ICTA 1988. The assets of the scheme are held separately from the assets of the company. The scheme was closed to new members after 1 January 2006 and closed to future accrual from 31 March 2007, from which time membership of a defined contribution plan has been available.

Pension contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. A full actuarial valuation was carried out at 31 March 2006 and updated at 31 March 2021 by independent qualified actuaries. The scheme assets are stated at their market value at 31 December 2022.

The principal actuarial assumptions were as follows:

	2022	2021
	%	%
Rate of inflation of pensions in payment (RPI)	3.35%	3.63%
Discount rate	4.81%	1.91%
Inflation assumption	3.09%	3.76%

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/(decrease) by 0.5%	Decrease/(increase) by 7.2%
Inflation assumption	Increase/(decrease) by 0.5%	Increase/(decrease) by 5.2%

The demographic assumptions used include rates for mortality which for example, generally lead to an average projected life expectancy of 86 years for male members currently aged 65 and of 88 years for female members currently aged 65.

Blanc Aero Industries UK Limited

**Notes to the financial statements
For the year ended 31 December 2022 (continued)**

23 Pensions and other post-retirement benefits (continued)

The amounts recognised in the profit or loss account are as follows:

	2022	2021
	£ 000	£ 000
Current service cost	-	-
Past service cost	-	-
Recognised in arriving at operating profit	-	-
Expected return on pension scheme assets	(457)	(321)
Interest cost on pension scheme liabilities	429	320
Other finance income	(28)	(1)

The amounts recognised in the statement of comprehensive income are as follows:

	2022	2021
	£ 000	£ 000
Actuarial gain on defined benefit obligations	7,145	635
Actuarial (loss)/gain on defined benefit assets	(9,261)	678
Amount recognised in Other comprehensive income	(2,116)	1,313

The assets and liabilities in the scheme were:

	2022	2021
	£ 000	£ 000
Equities	1,597	7,493
Property	434	-
Credit	953	-
Bonds	1,697	10,946
Gilts	577	5,629
LDI	8,765	-
Cash	512	115
Other	300	-
Fair value of scheme assets	14,835	24,183
Present value of funded obligation	(15,453)	(22,713)
Net pension (liability)/asset	(618)	1,470

Blanc Aero Industries UK Limited

**Notes to the financial statements
For the year ended 31 December 2022 (continued)**

23 Pensions and other post-retirement benefits (continued)

Changes in the present value of defined benefit obligation are as follows:

	2022	2021
	£ 000	£ 000
Present value of obligations at the beginning of the year	22,713	23,526
Interest cost	429	320
Benefit payments	(544)	(498)
Actuarial gain	(7,145)	(635)
Present value of obligations at the end of the year	<u>15,453</u>	<u>22,713</u>

Changes in the fair value of scheme assets are as follows:

	2022	2021
	£ 000	£ 000
Fair value of scheme assets at the beginning of the year	24,183	23,682
Benefit payments	(544)	(498)
Expected returns on scheme assets	457	321
Actuarial (loss)/gain	(9,261)	678
Fair value of scheme assets at the end of the year	<u>14,835</u>	<u>24,183</u>

The actual return on scheme assets was a loss of £8,804k (2021: gain of £999k).

Amounts for the current and previous period are as follows:

	2022	2021
	£ 000	£ 000
Present value of defined benefit obligation	(15,453)	(22,713)
Fair value of plan assets	14,835	24,183
Net pension (liability)/asset	<u>(618)</u>	<u>1,470</u>

Defined contribution scheme

The contribution to the defined contribution scheme during the year was £443k (2021: £415k).

Guaranteed minimum pensions

The Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank PLC (and others) court judgment on 26 October 2018 provided some clarity in respect of GMP equalisation and, in particular, the obligations that this places on schemes.

Blanc Aero Industries UK Limited

Notes to the financial statements For the year ended 31 December 2022 (continued)

23 Pensions and other post-retirement benefits (continued)

The trustees of the plan, along with the employer, are considering (amongst other things) the appropriate Guaranteed Minimum Pension (GMP) equalisation solution, whether there should be a time limit on the obligation to make back-payments to members (the "look-back" period) and the treatment of former members (members who have died without a spouse and members who have transferred out for example).

The past service cost has been estimated to include the impact of GMP equalisation, based on the Scheme's benefit design and member profile. The estimated cost of GMP equalisation is approximately 2.75% of the value of the liabilities at the valuation date, using the IAS19 basis of assessment.

24 Capital commitments

Detail of capital commitments at 31 December are as follow:

	2022	2021
	£ 000	£ 000
Contracted for but not provided in the financial statements		
Property, plant and equipment	<u>938</u>	<u>640</u>

25 Contingent liabilities

The company has given a duty and VAT deferment guarantee of £380k (2021: £380k) to HM Revenue and Customs, of which £40k is secured.

26 Called-up share capital

Authorised, allotted, called-up and fully paid shares

	2022	2022	2021	2021
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

The company has one class of ordinary shares which carry no right to fixed income.

The company's other reserves are as follows:

Share premium account

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

Cash flow hedge reserve

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the statement of profit and loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Profit and loss account

The profit and loss account represents cumulative profits or losses, including unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

Blanc Aero Industries UK Limited

Notes to the financial statements

For the year ended 31 December 2022 (continued)

27 Controlling party

The parent and controlling company is Hi-Shear Holdings Limited, a company incorporated in the UK. Its registered office is 38 Butlers Leap, Rugby, Warwickshire, CV21 3RQ.

The ultimate holding company is Compagnie Industrielle de Delle S.A., a company incorporated in France. This is the smallest and largest group in which the results of the company are consolidated. A copy of the consolidated financial statements may be obtained from 28 Faubourg De Belfort, Delle, 90100, France.

28 Post balance sheet events

Following the balance sheet date a final dividend of £35m was declared and paid on 17 July 2023.