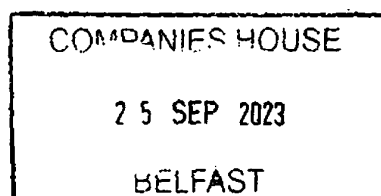


Thompson Aero Seating Limited

Annual report and financial statements

31 December 2022

Registered number NI032654



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COMPANIES HOUSE

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Company information

Directors

Z Lin (Resigned 9 October 2022)
J Guo
N Taggart (Resigned 31 July 2023)
K Anderson (Appointed 1 August 2023)
P Bell (Appointed 9 October 2022)
J Dai (Appointed 9 October 2022)
O Du (Appointed 11 November 2022)
L Fan (Appointed 9 October 2022)
H Fang (Appointed 9 October 2022)
Z Wang (Appointed 11 November 2022)
T Xu (Appointed 9 October 2022)

Independent Auditor

KPMG
The Soloist Building
1 Lanyon Place
Belfast
BT1 3LP
Belfast

Bankers

Danske Bank
Donegall Square West
Belfast, BT1 6JS
United Kingdom

Solicitors

Arthur Cox
Victoria House
Gloucester Street
Belfast, BT1 4LS
United Kingdom

Elliot Duffy Garrett
40 Linenhall Street
Belfast, BT2 8BA

Registered Office

51 Seagoe Industrial Estate
Portadown
Craigavon
County Armagh, BT63 5QE

Strategic report

Results

The Company's results for the year ending 31 December 2022 and 31 December 2021 are summarised below:

	Year ended 31 Dec 2022	Year ended 31 Dec 2021
	£'000	£'000
Revenue	86,036	55,893
Management EBITDA ¹	(8,201)	(4,000)
Operating loss	(10,936)	(7,360)
Firm orderbook	399,000	319,000

¹ (Loss) for the year before amortisation and impairment of intangible assets, depreciation and impairment of tangible assets, finance costs, taxation expense and non-operating items (defined as items that are relevant to an understanding of the Company's performance). Refer to note 4 for further details.

Principal activities

The principal activity of Thompson Aero Seating Limited is the design and manufacture of premium business-class and first-class aircraft seats.

The Company is a leading supplier of aircraft seats for the commercial airline industry, and the Company's capabilities extend to a number of related design, test, certification, repair and distribution services.

Business review and key performance indicators

The Company's loss for the year ended 31 December 2022 was £37m (2021: £25m loss).

The Company's key performance indicators are revenue, management EBITDA, operating loss and order book and these are disclosed in the results section above.

The company revenue increased from £56m in 2021 to £86m driven largely by volume as recovery continues post-pandemic. Management EBITDA decreased by £4m compared to prior year due to higher material and overhead costs driven by inflationary pressures and increases in labour costs as headcount rose to meet increasing demand than previous years. A reconciliation of the loss is set out in note 4 of the financial statements.

The company continues to attract strong interest from airline customers with a number of programmes awarded resulting in a net increase to the order book of £80m.

The company continued its partnership with Invest NI, working together to help the company achieve its strategic plans. A significant project that commenced in the year was the construction of a Dynamic Test Facility at the company's Banbridge site. This project is expected to be completed in late 2023.

The Company continued its transformation programme activities in 2022 which included focus on the new production introduction and supply chain functions, as well as further reference to its sub assembly and final assembly process.

Strategic report (continued)

Section 172 (1) statement

Section 172 of the Companies Act 2006 ('s.172') requires the directors to promote the success of the Company for the benefit of the members and in doing so have regard to the interests of stakeholders including customers, employees, suppliers, and the wider community in which it operates. The directors are focused on their responsibilities under s.172, and the impact of the business on key stakeholder groups is considered on a regular basis. The directors believe that by having regard to the following key matters, amongst others, that these are most likely to promote the success of the Company for the benefit of its members as a whole:

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

Shareholders

The Company continues to have a strong working relationship with its shareholders with transparent lines of communication and support. The directors spend a considerable amount of time engaging with our shareholders to understand their interests and any concerns they may have. The directors continue to engage with our shareholders when decisions are to be made that will materially impact the Company. Several notable shareholder engagements have resulted in the following:

- The shareholders continued to support the Company through 2022 as recovery from Covid-19 continued. Shareholder support is critical for the long-term growth and success of the Company.
- One specific improvement initiative which was supported by the shareholders was the investment in the development of a comprehensive integrated business planning process. This has had a positive impact on balancing all aspects of demand and supply to ensure that the Company is able to meet its obligations to customers. The Company continued to invest in its facilities to improve the employee and customer experience and to drive further production efficiencies.
- It is the shareholders' aim to have an integrated product offering for aircraft cabin interiors, and the Company is an integral part in this objective. The Company is excited to be part of this journey and this long-term vision will be beneficial to all stakeholders of the Company.
- The above demonstrates the long-term commitment of our shareholders and places the Company in a good position for future well supported growth.

Customers

The Company has continued its close working relationships with its customers and is encouraged that we are still our customers' first choice when it comes to premium business-class and first-class aircraft seats. This is further evidenced through the geographical location of our customers and represents all the hard work from our employees to design and build these high-quality products. In 2021 the company launched its VantageSolo design. The long-term impact of this new product means that the Company is in a good position to meet our customers changing product offering as we see the airlines move to retire their wide body aircraft and focus on extended range single aisle aircraft.

Employees

The directors have referenced their commitment to their employees in the Directors' Report. The directors confirm that they have engaged employees and taken account of their interests – this was of significant importance as the Company continued through its continued transformation in 2022.

In 2022 specific employee initiatives continued with the aim of placing the needs of the employees in the forefront:

- The Company continued with its staff consultative forum as well as with its recognised trade union during 2022. These communications provided the management team and employees a platform to encourage transparency, support and ongoing improvements in relation to employee views. Each meeting has minutes produced and where applicable, relevant actions are assigned to the management team. This level of accountability and transparency has continued to be well received by employees as the Company continues with its transformation processes.

Strategic report (continued)

Section 172 (1) statement (continued)

Employees (continued)

- As a Company focused on the health, safety and wellbeing of its employees, in 2022 the Company continued with its "Vision zero" initiative to drive an excellent health and safety culture throughout the Company.

Environmental impact

The Company is committed to minimising its impact on the environment and working in partnership with our stakeholders.

Principal risks and uncertainties

Commercial relationships:

The Company has developed close working relationships with all its customers and will continue to do so. Damage to, or loss of, the relationship with key customers could have a detrimental effect upon the financial performance of the Company. In order to manage this risk, the Company is continuing to maintain on-time delivery performance and focus on its transformation plan to ensure sustainable performance. Members of the Company's management meet regularly with individual management from key customers and the aircraft original equipment manufacturers (OEMs) to keep them abreast of such plans and the progress against the corresponding targets.

Air travel:

The Company is ultimately dependent on the changes in global air travel passenger numbers, which in turn drives demand for new aircraft. International passenger air miles grew in 2018 and 2019 and prior to the COVID-19 pandemic were expected to continue to rise. Whilst historically the industry has been very resilient to crisis, driving a fleet growth doubling every 15 years, The impact of the pandemic had an immediate reduction in consumer demand during 2022, the Company experienced significant growth in demand with some clear signs of improved confidence going forward, although the current challenge is consumer inflation and the wider risk of recession due to higher interest rates which may impact demand for business class travel.

Material cost risk:

The Company purchases materials required to manufacture their products, and these are subject to price fluctuations. The Company saw significant price pressure during the year due to wider economic factors, including the impacts of the Russia/Ukraine conflicts which has driven up energy prices, leading to direct increases in raw material plastics and indirect increases in manufactured components purchased from suppliers. The events of the pandemic continue to impact on the electronics supply chain for the Group with delivery performance remaining a challenge in this sector. The Company aims to offset any such risks through product pricing strategy and efficiency improvements, including component cost reduction initiatives.

Sales price risk:

Management believes that the price risk is limited to foreign exchange fluctuations, because all selling prices are set at the start of the contract. As part of the Company's sales are recorded in US Dollars and Euros, there is an element of foreign currency risk relating to the element of these transactions that are not hedged through the currency policy referred to in currency risk in the Directors' Report. Profitability at the portfolio level is being addressed through ongoing initiatives.

Manufacturing capacity:

In common with many manufacturing organisations, one of the principal risks facing the Company is the matching of available manufacturing capacity to forecasts and projections of order intake (load and capacity balance). The Company is working across all areas of the business to implement an integrated business planning process to provide a stable platform for future growth.

Information technology:

The Company has invested in further upgrades to its production facilities to ensure that they remain efficient and technologically advanced. The Company continues to invest in IT systems and IT security to ensure that it is as well protected from IT viruses and downtime as possible.

Cyber risk:

Vulnerability to data compromise is reviewed periodically by internal specialists in order to manage cyber-security and similar risks.

Product development:

The Company invests significant resources in the continued development of new products, including rigorous evaluation of new materials and processes, modelling and development testing to retain a differentiated offering to the market. The Company's new product introduction ('NPI') process continues to be developed and is indicating positive results in terms of customer satisfaction, full life-cycle management and improved profitability at the programme level via strong industrialisation.

Environmental:

The Company is focused on improving our environmental impact at all sites and the potential impact of materials used in production through to delivery to the customer, as well as the impact of its products in the wider global environment. Management are aware of their responsibilities in this regard and are committed to adopting proactive environmental practices at all Company locations. These include monitoring of power, cardboard and composite waste and implementing processes to reduce waste and carbon footprint.

Health and safety updates are provided at monthly management meetings. There were no major incidents reported during the year.

Strategic report *(continued)*

Position of the Company at the year end

The net liabilities of the Company at the balance sheet date are £220m (2021: net liabilities of £183m).

On behalf of the Board



P Bell
Director

Date: 11 September 2023

Directors' report

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

Thompson Aero Seating Limited is a private Company limited by shares incorporated and domiciled in the United Kingdom. The Company's registered office is detailed on page 3.

Future developments

The directors expect improvements in profitability in 2023 and beyond. There continues to be strong demand for global air travel and demand for the company's innovative products, although the market is competitive and inflating pressures on costs continue.

Dividends

No dividends were paid during the year ended 31 December 2022 and none are proposed (year ended 31 December 2021: no dividends were paid or proposed).

Research and development

The Company pursues a continuing programme of research and development to maintain its position amongst the market leaders in the design and manufacture of interior equipment for the aerospace and related industries. The Company claims tax relief in respect of qualifying research and development expenditure.

Directors

The directors who have served during the year and up to the date of signing the financial statements unless otherwise stated were:

Z Lin (Resigned 9 October 2022)
J Guo
N Taggart (Resigned 31 July 2023)
K Anderson (Appointed 1 August 2023)
P Bell (Appointed 9 October 2022)
J Dai (Appointed 9 October 2022)
O Du (Appointed 11 November 2022)
L Fan (Appointed 9 October 2022)
H Fang (Appointed 9 October 2022)
Z Wang (Appointed 11 November 2022)
T Xu (Appointed 9 October 2022)

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third-party provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

Financial risks and treasury management

Interest rate risk:

The Company finances its operations through loans from group undertakings.

Currency risk:

The Company is aware of potential effects of currency rate fluctuations and actively manages its exposure as necessary.

Liquidity risk:

The Company's policy is to ensure that it has committed borrowing facilities in place, in excess of its peak forecast borrowings and cash flow projections. The Company's cash flows are dependent on the cash profile of its contracts. The Company's balance sheet continues to be managed conservatively and the Company monitors a rolling cash forecast to ensure there is sufficient cash to meet its operational requirements.

Directors' report (continued)

Financial risks and treasury management (continued)

Credit risk:

Credit risk arises on financial instruments such as trade debtors and short-term bank deposits. Policies and procedures exist to ensure that customers have an appropriate credit history, or that credit risk is reduced to an acceptable level.

Political contributions

No political contributions were made during the year (2021: £nil)

Post balance sheet events

There are no subsequent events to note.

Employees

The Company is an equal opportunities employer and recognises its obligations towards disabled persons and applications from them for employment are given full and fair consideration. Training and career progression are available for all members of staff. Whenever possible every endeavour is made to assist existing employees who have become disabled to continue their employment.

Communications with employees take place through a variety of channels including newsletters, site management briefings, all-hands briefings, employee satisfaction surveys and regular management shop floor walks. The employee briefing meetings also provide an opportunity to share the performance of the business including an update on the latest market conditions.

The Company consults employees on a regular basis so that the views of the employees can be taken into account when making decisions that are likely to affect their interests.

The Company encourages the involvement of employees in the Company's performance and aims to ensure that all employees are aware of the financial and economic factors that affect the performance of the Company.

Health and safety

It is the objective of the Company to ensure the health and safety of its employees and of any other persons who could be affected by its operations. It is the Company's policy to provide working environments which are safe and without risk to health and to provide information, instruction, training and supervision to ensure the health and safety of its employees. The Company is focussing on improving employee wellbeing with various initiatives such as stop smoking programmes and providing affordable on-site eating options for staff.

Going concern

The directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. For this reason, the directors continue to adopt the going concern basis in preparing these financial statements.

In making an assessment as to whether the going concern principle should be adopted, the directors have considered the period starting with the date these financial statements were approved by the Board and ending on 31 December 2024.

The Company continues to recover from the impact of COVID 19 on the global aerospace industry, with volumes budgeted to significantly increase in 2023, however the Company does not have any external credit facilities and has net current liabilities of £235.m. The Company has continued to be consistently supported by its shareholders throughout the recent years; during 2022 the Company received support totalling £11.6m to provide additional liquidity. Since the year ended 31 December 2022, an additional £2.4m was provided to further support the Company's operations.

A forecast model has been prepared to assess the most likely impact on the Company's revenue, profit or loss and cash flows out to 2027, taking into account cost saving and other efficiency measures implemented or planned. The output from this model covering the period to 31 December 2024 has been used to assess whether the going concern principle should continue to be adopted. The model has been subject to stress testing to understand plausible downside scenarios.

If the Company's shareholder and loan provider (all group undertakings) were to seek full repayment of the outstanding loans, the Company would not be able to repay this liability. As such the directors consider that the right of the loan providers to request full payment of the loans on demand represents a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern and that the Company may, as a consequence, be unable to realise its assets and discharge its liabilities in the normal course of business. However, no request for repayment of the loan has been received and the directors are actively engaged with the lenders to put in place arrangements to ensure that continued finance is available.

Directors' report (continued)

Financial risks and treasury management (continued)

Going concern (continued)

The lenders have advised that they are supportive of this approach and have not given any indication they will seek repayment of the loan; they have also indicated that they will be prepared to provide additional funding if required. As a consequence the financial statements are prepared on the going concern basis and do not include any adjustments that would be necessary if this basis were inappropriate.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with FRS 101 Reduced Disclosure Framework.

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 year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Statement of disclosure of information to auditors

In the case of each of the persons who are directors at the time when the report is approved:

- (a) so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (b) they 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.

Independent auditors

During the year KPMG were appointed as auditors of the group as part of a tender exercise and pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG will therefore continue in office.

On behalf of the Board.

On behalf of the Board



P Bell
Director

Date: 11 September 2023



KPMG

Audit
The Soloist Building
1 Lanyon Place
Belfast BT1 3LP
Northern Ireland

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THOMPSON AERO SEATING LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Thompson Aero Seating Limited ('the Company') for the year ended 31 December 2022 set out on pages 14 to 39, which comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the summary of significant accounting policies set out in note 1.

The financial reporting framework that has been applied in their preparation is UK Law and FRS 101 Reduced Disclosure Framework. In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with FRS 101 Reduced Disclosure Framework issued by the UK's Financial Reporting Council; and
- the financial statements 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 ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (FRC)'s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that the Directors' conclusion regarding the Company's ability to continue as a going concern. The impact of Covid-19 has affected the Company's customers, employees and suppliers. The Company has prepared a forecast model to assess the most likely impact on the revenue, profit or loss and cashflow. The base case and downside risk model scenarios indicate that further shareholder support is required to meet minimum liquidity requirements. The Company's parent undertaking, AVIC Cabin Systems Co. Limited, has indicated that bank facilities are in place to provide further financial support for the base case or downside scenarios, that funds will be available as required and that existing loans will not need to be repaid within 12 months of the date these financial statements were approved. This support however is not legally binding and accordingly there can be no certainty that the funds required by the Company will in fact be made available when required.

As stated in note 1, these events or conditions, along with the other matters explained in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease their operations, and as they have concluded that the Company's financial position means that this is realistic. As set out in note 1 in the financial statements, they have also concluded that there is a material uncertainty that could cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THOMPSON AERO SEATING LIMITED (continued)

Detecting irregularities including fraud

We identified the areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud, using our understanding of the entity's industry, regulatory environment and other external factors and inquiry with the directors. In addition, our risk assessment procedures included: inquiring with the directors as to the Company's policies and procedures regarding compliance with laws and regulations and prevention and detection of fraud; inquiring whether the directors have knowledge of any actual or suspected non-compliance with laws or regulations or alleged fraud; inspecting the Company's regulatory and legal correspondence; and reading Board minutes.

We discussed identified laws and regulations, fraud risk factors and the need to remain alert among the audit team.

The Company is subject to laws and regulations that directly affect the financial statements including companies and financial reporting legislation, taxation legislation and distributable profits legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

The company, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

Auditing standards limit the required audit procedures to identify non-compliance with these non-direct laws and regulations to inquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

We assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. As required by auditing standards, we performed procedures to address the risk of management override of controls. On this audit we do not believe there is a fraud risk related to revenue recognition. We did not identify any additional fraud risks.

In response to risk of fraud, we also performed procedures including: identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation; evaluating the business purpose of significant unusual transactions; assessing significant accounting estimates for bias; and assessing the disclosures in the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the strategic report and the directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THOMPSON AERO SEATING LIMITED (continued)

Opinions on other matters prescribed by the Companies Act 2006

Based solely on our work on the other information undertaken during the course of the audit:

- we have not identified material misstatements in the directors' report or the strategic report;
- in our opinion, the information given in the directors' report and the strategic report is consistent with the financial statements;
- in our opinion, the directors' report and the strategic report have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they 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, other irregularities or error, and to issue an opinion in an auditor's report. 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, other irregularities or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

Our 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.

Dominic Mudge (Senior Statutory Auditor)
for and on behalf of
KPMG, Statutory Auditor

The Soloist Building
1 Lanyon Place
Belfast
BT1 3LP

15 September 2023

Income statement
for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Revenue	3	86,036	54,893
Operating costs	4	(96,972)	(62,253)
Operating loss		(10,936)	(7,360)
Finance income	5	8	41
Finance expenses	6	(12,918)	(9,000)
Loss before tax		(23,846)	(16,319)
Tax charge	8	(13,535)	(9,162)
Loss for the financial year		(37,381)	(25,481)

Statement of comprehensive income
for the year ended 31 December 2022

	2022 £'000	2021 £'000
Loss for the financial year	(37,381)	(25,481)
Total other comprehensive income for the year (net of tax)	-	-
Total comprehensive loss for the year	(37,381)	(25,481)

The notes on pages 17 to 39 form part of the financial statements.

The results for 2022 and 2021 arise from continuing activities.

Balance sheet
as at 31 December 2022

	Note	2022 £'000	2021 £'000
Non-current assets			
Intangible assets	9	3,540	2,082
Property, plant and equipment	10	13,293	11,545
Financial asset	16	1,043	-
Deferred tax assets	19	2,473	15,897
Right of use assets	12	1,240	1,671
		21,589	31,195
Current assets			
Inventories	13	45,929	41,641
Assets held for sale	11	-	216
Trade and other receivables	14	37,315	29,097
Corporation tax recoverable		1,228	1,293
Cash and cash equivalents	15	2,309	6,373
		86,781	78,620
Total assets		108,370	109,815
Non-current liabilities			
Deferred income	20	(3,609)	-
Lease liabilities	12	(807)	(1,240)
Provisions	18	(1,699)	(3,765)
		(6,115)	(5,005)
Current liabilities			
Trade and other payables	20	(61,817)	(52,984)
Lease liabilities	12	(433)	(431)
Borrowings	17	(258,446)	(234,010)
Provisions	18	(1,647)	(92)
		(322,343)	(287,517)
Total liabilities		(328,458)	(292,522)
Net liabilities			
		(220,088)	(182,707)
Capital and reserves			
Issued share capital	21	442	442
Share premium account	22	501	501
Accumulated losses		(221,031)	(183,650)
Total equity		(220,088)	(182,707)

The financial statements on pages 17 to 39 were approved by the Board of Directors on 11 September 2023 and signed on its behalf by:


P Bell
Director

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

	Issued share capital	Share premium account	Accumulated Losses	Total equity
	£'000	£'000	£'000	£'000
At 1 January 2021	442	501	(158,169)	(157,226)
Loss for the year and total comprehensive loss for the year	-	-	(25,481)	(25,481)
At 31 December 2021	442	501	(183,650)	(182,707)
Loss for the year and total comprehensive loss for the year	-	-	(37,381)	(37,381)
At 31 December 2022	442	501	(221,031)	(220,088)

The notes on pages 17 to 39 form part of the financial statements.

Notes to the financial statements

1 Summary of significant accounting policies

Thompson Aero Seating Limited is a private limited Company limited by shares which is incorporated, domiciled and registered in the UK. The registered number is NI032654 and the address of the registered office and its principal place of business is 51 Seagoe Industrial Estate, Portadown, Craigavon, County Armagh, BT63 5QE.

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

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. The financial statements have been prepared under the historical cost convention, except in the cases specifically mentioned in these notes. The financial statements are also prepared on the going concern basis.

In preparing these financial statements, the Company applies the recognition, measurement, and disclosure requirements of UK-adopted international accounting standards (UK-adopted IFRS), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken

The Company's parent undertaking, Symphony Bidco Ltd includes the Company in its consolidated financial statements. The consolidated financial statements of Symphony Bidco Ltd are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Companies House

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in note 2.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- IAS 7, 'Statement of cash flows';
- IFRS 7, 'Financial instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

Going concern

The directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. For this reason, the directors continue to adopt the going concern basis in preparing these financial statements.

In making an assessment as to whether the going concern principle should be adopted, the directors have considered the period starting with the date these financial statements were approved by the Board and ending on 31 December 2024.

The Company continues to recover from the impact of COVID 19 on the global aerospace industry, with volumes budgeted to significantly increase in 2023, however the Company does not have any external credit facilities and has net current liabilities of £235.6m. The Company has continued to be consistently supported by its shareholders throughout the recent years; during 2022 the Company received support totalling £11.6m to provide additional liquidity. Since the year ended 31 December 2022, an additional £2.4m was provided to further support the Company's operations.

A forecast model has been prepared to assess the most likely impact on the Company's revenue, profit or loss and cash flows out to 2027, taking into account cost saving and other efficiency measures implemented or planned. The output from this model covering the period to 31 December 2024 has been used to assess whether the going concern principle should continue to be adopted. The model has been subject to stress testing to understand plausible downside scenarios.

Notes to the financial statements (continued)

1 Summary of significant accounting policies (continued)

The base case and downside risk model scenarios indicate that further shareholder support is required to meet minimum liquidity requirements. The Company's parent undertaking, AVIC Cabin Systems Co. Limited, has indicated that bank facilities are in place to provide further financial support for the base case or downside scenarios, that funds will be available as required and that existing loans will not need to be repaid within 12 months of the date these financial statements were approved. This support however is not legally binding and accordingly there can be no certainty that the funds required by the Company will in fact be made available when required.

If the Company's shareholder and loan provider (all group undertakings) were to seek full repayment of the outstanding loans, the Company would not be able to repay this liability. As such the directors consider that the right of the loan providers to request full payment of the loans on demand represents a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern and that the Company may, as a consequence, be unable to realise its assets and discharge its liabilities in the normal course of business. However, no request for repayment of the loan has been received and the directors are actively engaged with the lenders to put in place arrangements to ensure that continued finance is available. The lenders have advised that they are supportive of this approach and have not given any indication they will seek repayment of the loan; they have also indicated that they will be prepared to provide additional funding if required. As a consequence the financial statements are prepared on the going concern basis and do not include any adjustments that would be necessary if this basis were inappropriate.

Notes to the financial statements (continued)

1 Summary of significant accounting policies (continued)

Foreign currency translation

Functional currency and presentation

The financial statements are presented in Pounds Sterling and, unless stated otherwise, rounded to the nearest one thousand.

Transactions and balances

Transactions in foreign currencies are translated at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date, with the resulting exchange differences recognised in the income statement.

Revenue from contracts with customers

The standard requires the identification of performance obligations in contracts with customers and allocation of the total contractual value to each of the performance obligations identified. Revenue is recognised as each performance obligation is satisfied either at a point in time or over time.

Performance obligations

Each contract is assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources that are readily available to the customer and they are separately identifiable in the contract.

Transaction price

At the start of each contract, the total transaction price is estimated as the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods and services to the customer. Variable consideration, such as price escalation, is included based on the expected value or most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. The transaction price does not include estimates of consideration resulting from contract modifications, such as change orders, until they have been approved by the parties to the contract. The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative stand-alone selling prices. Given the bespoke nature of many of the Company's products and services, which are designed and/or manufactured to the customer's individual specifications, there are typically no observable stand-alone selling prices. Instead, stand-alone selling prices are estimated based on expected costs plus contract margin consistent with the Company's pricing principles.

Revenue and profit recognition

The Company has two material revenue streams, seat sales (production) and design and engineering sales. The Company's performance obligations and revenue recognition policy for each revenue stream is noted below.

Production revenue

Production revenue represents the sale of seats to a customer and is a single performance obligation, revenue is recognised when control of the goods is transferred to the customer at a point in time.

Design and engineering

Design and engineering revenue is treated as a separate performance obligation as the customer can benefit from this separately. The Company has determined that the non-recurring design element of a contract usually satisfies the overtime criteria, either because the customer simultaneously receives and consumes the benefits provided by the Company's performance as it performs or the Company's performance does not create an asset with an alternative use to the Company and it has an enforceable right to payment for performance completed to date.

For the sale of services

For each performance obligation to be recognised over time, the Company recognises revenue using an input method, based on costs incurred in the year. Revenue and attributable margin are calculated by reference to reliable estimates of transaction price and total expected costs, after making suitable allowances for technical and other risks.

Revenue and associated margin are therefore recognised progressively as costs are incurred, and as risks have been mitigated or retired. The Company has determined that this method faithfully represents the Company's performance in transferring control of the goods and services to the customer.

If the over time criteria for revenue recognition are not met, revenue is recognised at the point in time that control is transferred to the customer, which is usually when legal title passes to the customer and the business has the right to payment, for example, on delivery.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense with a corresponding provision in inventory.

Notes to the financial statements (continued)

1 Summary of significant accounting policies (continued)

Financial instruments

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Customs Comprehensive Guarantee deposit is treated as a financial asset as it does not meet the definition of cash & cash equivalents. This is because the deposit could not be readily converted to cash, and because it is necessary to maintain this deposit to continue the efficient and commercial operation of the Company's business

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

For trade and other receivables and contract receivables the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the asset are transferred to another party.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, are initially recognised at transaction price and subsequently at amortised cost. Financial liabilities are derecognised when the liability is extinguished; that is when the contractual obligation is discharged, cancelled or expires.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of derivatives are recognised in the profit or loss in finance costs or finance income as appropriate. The Company does not apply hedge accounting in respect of forward foreign exchange contracts or transactions entered into to manage the foreign exchange exposures of cash flows.

Fair value of financial instruments

The fair value of a financial instrument 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 balance sheet date. The fair values of financial instruments held at fair value have been determined based on available market information at the balance sheet date.

The fair values of forward exchange contracts are calculated by discounting the contracted forward values and translating at the appropriate balance sheet rates. Due to the variability of the valuation factors, the fair values presented at 31 December may not be indicative of the amounts the Company would expect to realise in the current market environment.

Leases

Definition

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the Company to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the Company has the right to:

- Obtain substantially all the economic benefits from the use of the underlying asset, and;
- Direct the use of the underlying asset (e.g. direct how and for what purpose the asset is used)

Notes to the financial statements (continued)

1 Summary of significant accounting policies (continued)

Leases (continued)

The Company predominantly engages in leases for land and buildings, specifically for use in manufacturing and administration offices.

Initial recognition and measurement

The Company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the Company's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

Subsequent measurement

After the commencement date, the Company measures the lease liability by:

- a) Increasing the carrying amount to reflect interest on the lease liability;
- b) Reducing the carrying amount to reflect the lease payments made; and
- c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are included in finance cost in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises. The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy on financial instruments.

Lease modifications

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.

The modification is accounted for as a separate lease if both:

- a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The Company then accounts for these in line with the accounting policy for new leases. If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.

For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.

For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of use asset without affecting profit or loss.

Notes to the financial statements (continued)

1 Summary of significant accounting policies (continued)

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Property, plant and equipment

Items of property, plant and equipment are stated at original cost, less accumulated depreciation. The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. Any impairment in value is charged as applicable to the income statement.

Depreciation is calculated to write off the cost of property, plant and equipment over their estimated useful lives as follows:

Freehold buildings	50 years straight line
Leasehold land and buildings	Over 5-10 years straight line
Plant and machinery	Between 6 and 7 years straight line
Fixtures and fittings	5 years straight line

Freehold land and assets under construction are not depreciated.

Assets are classified as held for sale when the following conditions have been met:

- Management is committed to a plan to sell
- The asset is available for immediate use
- The sale is highly probable, within 12 months
- The asset is being actively marketed and an active programme to locate a buyer is initiated

Intangible assets – software and other

Computer software and other intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Software and other intangible assets are amortised over its estimated useful life, of five to ten years, on a straight-line basis.

Research and development

Costs associated with maintaining seat designs are recognised as an expense when incurred.

Development costs that are directly attributable to new or substantially improved seats are recognised as intangible assets in accordance with IAS 38 'Intangible Assets' when the Company can demonstrate the following:

- how the intangible asset will generate probably future economic benefits;
- intention to complete the intangible asset so that it will be available for use or sale;
- availability of adequate technical, financial and other resources to complete the development;
- ability to use or sell the intangible asset;
- technical feasibility of completing the intangible asset so that it will be available for use or sale; and
- ability to reliably measure the expenditure attributable to the intangible asset during its development.

Amortisation

Research and development costs are amortised over the expected useful life of the programme. This has been determined to be 5 years from the date the R&D engineering design work begins on the first customer order.

Inventories

Inventory and work in progress are valued on a 'first in, first out' basis at the lower of cost and net realisable value. Provision is made for obsolescence and for slow-moving items. The cost of work in progress and finished goods comprises materials, production labour and production overheads appropriate to the state of manufacture. Contract assets are stated at total cost incurred net of amounts transferred to the profit and loss account in respect of work carried out to date, less foreseeable losses and applicable payments on account.

Notes to the financial statements (continued)

1 Summary of significant accounting policies (continued)

Dividends

Dividends proposed are recognised at the point when they are approved by the shareholders.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Employee benefits

The Company provides a range of benefits to employees, including paid holiday arrangements and a defined contribution pension plan. Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

The Company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The amount charged to the profit and loss account in respect of pension costs is the contribution payable in the year. Differences between contributions payable and actually paid are shown as either accruals or prepayments in the balance sheet.

Cash and cash equivalents

Cash and cash equivalents includes cash in UK bank accounts.

Taxation

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Notes to the financial statements (continued)

1 Summary of significant accounting policies (continued)

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. The Company has recognised government grants receivable in the period in the income statement as "other income" as highlighted in note 4. The Company have elected to present the grant income & the related costs on a gross basis. If conditions are attached to the grant which must be satisfied before the Company is eligible to receive the contribution, the recognition of the grant as other income will be deferred until those conditions are satisfied.

Standards, amendments and interpretations that are effective and have been adopted by the Company

The following new standards, new interpretations, and amendments to standards and interpretations that are effective and have been adopted by the Company:

- Onerous contracts – Cost of fulfilling a contract – Amendments to IAS 37 – Effective 1 January 2022
- Annual improvements to IFRS standards 2018-2020 – Effective 1 January 2022
- Property, Plant & Equipment: Proceeds before intended use – Amendments to IAS 16 – Effective 1 January 2022

Adoption of the above standards did not materially impact the company financial statements.

Standards, amendments and interpretations that are not yet effective and have not been adopted early by the Company

The following new standards, new interpretations, and amendments to standards and interpretations that are not yet effective and have not been adopted early by the Company:

- Classification of Liabilities as Current or Non-Current – Amendments to IAS 1 – Effective 1 January 2023
- IFRS 17 insurance contracts – Effective 1 January 2023
- Disclosure of accounting policies – Amendments to IAS 1 and IFRS practice statement 2 – Effective 1 January 2023
- Definition of accounting estimate – Amendments to IAS 8 – effective 1 January 2023
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 – Effective 1 January 2023

The Company does not believe there will be any material impacts as a result of these new requirements.

Notes to the financial statements (continued)

2 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

i) Revenue recognition

The Company has identified two performance obligations which are non-recurring engineering and production. The Company assessed non-recurring engineering to be a separate performance obligation because whilst it is not the norm for customers to take their designs produced by the Company to other aircraft seat manufacturers, or for customers to bring their own designs to the Company, it is possible for this to happen as both contractually, and through custom and practice, the customer owns the designs that are produced by the Company. Non-recurring engineering satisfies the over time criteria for revenue recognition because the customer simultaneously receives and consumes the benefits provided by the Company's performance as it performs or the Company's performance does not create an asset with an alternative use to the Company and it has an enforceable right to payment for performance completed to date. Production revenue however is recognised at a point in time as this does not meet any of criteria mentioned.

ii) Provisions

Provisions are for future warranty costs. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements.

Provision is made for obsolete and slow-moving inventory, based on management's best estimate of the likely recovery value of the inventory through future sale.

Included within accruals are provisions for late delivery penalties. These penalties are based on management's best estimate of the costs that are expected to be borne by the Company.

iii) Recognition of deferred tax assets

Management review financial projections for future performance of the Company to consider the extent to which deferred tax assets relating to tax losses are to be recognised in the balance sheet.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Significant judgment is required in concluding on the recoverability of recognised deferred tax assets as this involves estimating future taxable profit and the timing of reversal of the deferred tax asset.

Following the review of future financial forecasts, the management has derecognised deferred tax assets of £14.4m relating to losses in 2022 and future projections for the next 5 years.

Notes to the financial statements (continued)

3 Revenue

Revenue by customer location

	2022	2021
	£'000	£'000
United Kingdom	4,495	1,739
Rest of Europe	16,303	10,276
Middle East	5,638	2,084
USA and Canada	34,118	18,887
Asia and Pacific	22,892	18,538
Other	2,590	3,369
	86,036	54,893

Revenue from contracts with customers

	2022	2021
	£'000	£'000
Revenue from contracts with customers	86,036	54,893
	86,036	54,893

Revenue by category and timing of revenue recognition

	2022	2021
	£'000	£'000
At a point in time:		
Production	77,700	51,516
Over time:		
Design & engineering	8,336	3,377
	86,036	54,893

The corresponding contract assets and liabilities have been disclosed in note 14 and 20 respectively.

The Company only has one operating segment.

Notes to the financial statements (continued)

4 Operating costs

	2022	2021
	£'000	£'000
Raw materials and other bought-in items	45,401	25,532
Change in inventories of finished goods and work in progress	2,173	823
Cost of inventories expensed	47,574	26,355
Staff costs (note 7)	25,378	25,998
Depreciation, amortisation and impairment	3,602	3,457
Profit on disposal of machinery	(221)	-
Other income ¹	(1,358)	(4,917)
Logistics	4,007	1,933
Externally provided workers	4,049	2,026
Installation support	2,887	2,922
Other operating costs	11,054	4,479
Operating costs	96,972	62,253
Included within the above analysis are the following expenses:		
Lease and sublease expense	486	376
Research and development expenditure	5,994	4,389

¹Other income includes assistance from the U.K. Government under the Coronavirus Job Retention Scheme as a result of the COVID-19 pandemic of £nil (2021: £1,103,000) RDEC grant income of £829,000 (2021: £2,550,000) and Invest NI income of £529,000 (2021: £1,256,000). There are no unfulfilled conditions or other contingencies attached to these grants. Government grant income is offset by the cost of retaining staff.

Fees payable to the Company's auditors included in operating costs

	2022	2021
	£'000	£'000
Fees payable to the Company's auditors for the audit of the Company's annual report and financial statements	52	32
Tax advisory services	-	4
Total fees payable to the Company's auditors	52	36

Reconciliation to Management EBITDA

	2022	2021
	£'000	£'000
Operating loss	(10,936)	(7,360)
Add back Depreciation, amortisation and impairment	3,602	3,457
EBITDA	(7,334)	(3,903)
Add back Non-operating items:		
Other non-operating expenses ¹	(867)	(97)
Management EBITDA	(8,201)	(4,000)

¹ Other non-operating expenses includes unrealised foreign exchange movements on working capital balances.

Notes to the financial statements (continued)

5 Finance income

	2022	2021
	£'000	£'000
Other	8	41
Finance income	8	41

6 Finance expenses

	2022	2021
	£'000	£'000
Interest on bank guarantee	48	-
Interest under IFRS 16	35	75
Interest on amounts due to group undertakings (note 17)	10,056	8,766
Foreign exchange losses	2,779	159
Finance expense	12,918	9,000

Notes to the financial statements (continued)

7 Employees

The average monthly number of full-time equivalent employees (including executive directors) by activity employed during the year were as follows:

	2022	2021
	No.	No.
Management, engineering, administration and sales	468	464
Production	157	159
Total	625	623

The aggregate payroll costs in the year were as follows:

	2022	2021
	£'000	£'000
Wages and salaries	21,697	23,118
Social security costs	2,573	2,129
Other pension costs	1,108	751
Total	25,378	25,998

Directors' emoluments

	2022	2021
	£'000	£'000
Aggregate emoluments	441	340
Pension contributions	26	21
Total	467	361

Highest paid director

	2022	2021
	£'000	£'000
Aggregate emoluments	316	226
Pension contributions	23	21
Total	339	247

There were benefits accruing to two (2021: one) directors under a money purchase scheme at the year-end.

The following directors received remuneration from the Company during the year ended 31 December 2022: Z Lin, P Bell and N Taggart.

The following directors were not remunerated by the Company during the year ended 31 December 2022: J Guo, O Du, L Fan, Z Wang, J Dai, H Fang, T Xu

Notes to the financial statements (continued)

8 Tax charge

Tax charge included in income statement	Note	2022 £'000	2021 £'000
Current tax			
- Adjustments in respect of prior years		111	1,463
Total current tax		111	1,463
Deferred tax			
- Origination and reversal of timing differences		(1,063)	(773)
- Derecognition of previously recognised tax assets		14,487	15,023
- Impact of changes in tax rate on tax losses		-	(6,551)
Total deferred tax	19	13,424	7,699
Tax charge		13,535	9,162

Reconciliation of tax expense

The following table reconciles the theoretical income tax credit to the reported tax expense:

	2022 £'000	2021 £'000
Loss before tax	(23,846)	(16,319)
Applying standard rate of UK corporation tax of 19% (2021:19%)	(4,531)	(3,101)
Effects of:		
- Expenses not deductible for tax purposes	2,458	1,860
- Effect of capital allowances and depreciation	-	(606)
- Unused tax losses	-	1,074
- Current year losses not recognised	1,010	-
- Changes in tax laws and rates	-	(6,551)
- Derecognition of previously recognised deferred tax asset relating to tax losses	14,487	15,023
- Adjustments in respect of prior years	111	1,463
Tax expense	13,535	9,162

Tax rate changes

In the 2021 Spring Budget, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. This was substantively enacted in 2021 and is therefore used to measure UK deferred taxes in both 2021 and 2022, to the extent the related timing differences are expected to reverse in 2023 or later.

Notes to the financial statements (continued)

9 Intangible assets

	Computer software £'000	Intangible- other £'000	Capitalised development £'000	Total £'000
Cost				
At 1 January 2021	2,536	1,000	-	3,536
Additions	191	50	925	1,166
At 31 December 2021	2,727	1,050	925	4,702
Additions	14	50	1,951	2,015
At 31 December 2022	2,741	1,100	2,876	6,717
Accumulated amortisation				
At 1 January 2021	(1,937)	(140)	-	(2,077)
Amortisation charge	(351)	(192)	-	(543)
At 31 December 2021	(2,288)	(332)	-	(2,620)
Amortisation charge	(208)	(133)	(216)	(557)
At 31 December 2022	(2,496)	(465)	(216)	(3,177)
Net book value				
At 31 December 2022	245	635	2,660	3,540
At 31 December 2021	440	718	925	2,082

10 Property, plant and equipment

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Assets under construction £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost						
At 1 January 2021	2,249	5,455	925	17,627	5,869	32,125
Additions	-	176	160	117	1,099	1,552
Assets classified as held for sale	-	-	-	(3,591)	-	(3,591)
Disposals	-	-	-	-	-	-
At 31 December 2021	2,249	5,631	1,085	14,153	6,968	30,086
Additions	-	245	1,929	222	2,682	5,078
Disposals	-	-	-	(1,965)	-	(1,965)
At 31 December 2022	2,249	5,876	3,014	12,410	9,650	33,199
Accumulated depreciation and impairment						
At 1 January 2021	(274)	(2,380)	(863)	(12,937)	(3,022)	(19,476)
Depreciation charge	(103)	(326)	-	(1,202)	(1,138)	(2,769)
Depreciation on transfer to asset held for sale	-	-	-	3,375	-	3,375
Impairment on disposals	-	89	-	188	52	329
At 31 December 2021	(377)	(2,617)	(863)	(10,576)	(4,108)	(18,541)
Depreciation charge	(45)	(347)	-	(936)	(1,462)	(2,790)
Depreciation on disposals	-	-	-	1,249	-	1,249
Impairment on disposals	-	-	-	176	-	176
At 31 December 2022	(422)	(2,964)	(863)	(10,087)	(5,570)	(19,906)
Net book value						
At 31 December 2022	1,827	2,912	2,151	2,323	4,080	13,293
At 31 December 2021	1,872	3,014	222	3,577	2,860	11,545

Notes to the financial statements (continued)

11 Assets held for sale

	2022	2021
	£'000	£'000
Property, plant and equipment	-	216
Total	-	216

The Company has agreed to consolidate the footprint of its manufacturing facilities. As a result, a number of plant and machinery items were deemed surplus to requirement and offers were sought from the market. Sale was agreed with a third party with settlement received in March 2022.

12 Right of use assets and lease liabilities

	Buildings £'000
Cost	
At 1 January 2021	729
At 31 December 2021	2,806
Additions	-
At 31 December 2022	2,806
Accumulated depreciation and impairment	
At 1 January 2021	(662)
Depreciation charge	(473)
At 31 December 2021	(1,135)
Depreciation charge	(431)
At 31 December 2022	(1,566)
Net book value	
At 31 December 2022	1,240
At 31 December 2021	1,671

The balance sheet shows the following amounts relating to leases:

	2022	2021
	£'000	£'000
Buildings	1,240	1,671
Total	1,240	1,671
Lease liabilities		
Current	433	431
Non-current	807	1,240
Total	1,240	1,671

The statement of profit or loss shows the following amounts relating to leases:

	2022	2021
	£'000	£'000
Depreciation charge of right of use assets		
Buildings	(431)	(473)
Total	(431)	(473)

Notes to the financial statements (continued)

12 Right of use assets and lease liabilities (continued)

	2022 £'000	2021 £'000
Interest expense	(35)	(75)
Total	(35)	(75)

The total cash outflow for leases was £466,000 (2021: £478,000).

13 Inventories

	2022 £'000	2021 £'000
Raw materials and consumables	27,033	24,918
Work in progress	18,292	16,338
Finished goods	604	385
Total	45,929	41,641

	2022 £'000	2021 £'000
Movement in inventory provision		
As at 1 January	21,460	24,989
Provision consumed	(1,276)	-
Amounts charges / (released) to the profit and loss account	442	(3,529)
As at 31 December	20,626	21,460

The cost of inventories recognised as stock write offs and included in operating costs amounted to £2,582,000 (2021: expense of £502,000).

Unused amounts released in 2021 relate to release of provisions no longer required as a result of usage and commercial developments.

14 Trade and other receivables

	2022 £'000	2021 £'000
Current		
Trade receivables	21,491	17,163
Amounts owed by group undertakings	4,176	1,561
Prepayments and accrued income	6,385	6,194
Contract assets	3,326	3,358
Other receivables	1,937	821
	37,315	29,097

The Company's trade receivables are stated after provisions for impairment of £224,000 (2021: £ 1,215,000). The fair values of trade and other receivables are not materially different from their carrying values. For the purposes of IFRS 9 "Financial instruments" all of the Company's financial assets are classified as measured at amortised cost.

	2022 £'000	2021 £'000
Movements in the provision for bad debts are as follows:		
At 1 January	1,216	1,803
Released	(992)	(697)
Created	-	110
At 31 December	224	1,216

Notes to the financial statements (continued)

14 Trade and other receivables (continued)

The Company has trade receivables balances that are intercompany:

	2022	2021
	£'000	£'000
AVIC Cabin Systems (UK) Limited	1,222	200
AIM Altitude Limited	573	1,426
Symphony Bidco Limited	1,167	1,182
Jiatai Aircraft Equipment Co., Ltd	1,214	384
Balance at the end of the year	4,176	3,192

The Company has recognised the following assets relating to contracts with customers (these are all included with contract assets):

	2022	2021
	£'000	£'000
Contract assets recognised at start of the year	3,358	5,465
Balance at the end of the year	3,326	3,358

The contract assets primarily related to the Company's right to consideration for work completed but not yet billed at the reporting date on design and engineering.

The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the customer.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Company applies the practical expedient in IFRS 9 (which allows the Company to measure impairment using the 12 month Expected Credit Loss model) in respect of amounts owed by group undertakings, for those balances that meet the following requirements:

- it has a low risk of default;
- the counterparty is considered, in the short term, to have a strong capacity to meet its obligations in the near term; and
- the Company expects, in the longer term, that adverse changes in economic and business conditions might, but will not necessarily, reduce the ability of the counterparty to fulfil its obligations.

For those balances where there is a higher risk of default the Company follows the 3-stage approach within IFRS 9 to determine lifetime expected credit losses.

Notes to the financial statements (continued)

15 Cash and cash equivalents

	2022	2021
	£'000	£'000
Cash	2,309	6,373
Total cash and cash equivalents	2,309	6,373

16 Financial assets

	2022	2021
	£'000	£'000
Cash collateral for customs comprehensive guarantee	1,043	-
Total financial assets	1,043	-

The company has placed on deposit £1,043,000 as cash collateral for a customs comprehensive guarantee issued by HMRC.

17 Borrowings

	2022	2021
	£'000	£'000
Current		
Amounts due to group undertakings	258,446	234,010
Total borrowings	258,446	234,010

Amounts due to group undertakings

The amounts due to group undertakings are designated in Pounds Sterling and US Dollars and total £258,446,000 in Pound Sterling equivalent (2021: £234,010,000). The amounts due to group undertakings bear interest at a number of rates between 4.1% and 5.0% per annum and are repayable between 0-12 months.

Although these amounts fall due within one year, the entities have confirmed that they will not be called for at least 12 months from the date of the financial statements.

The fair value of current borrowings is £237,750,000 (2021: £234,010,000) This was calculated by discounting the loans refinanced during 2022 and new loans received in 2022 by the Company's cost of equity of 14.9%. There has been no substantial modification to the terms of the loans refinanced in the year. For the purposes of IFRS 9 "Financial instruments" the financial liabilities noted above are measured at amortised cost.

Amounts due to group undertakings at 31 December

	2022	2021
	£'000	£'000
AVIC Cabin Systems Co. Limited	258,446	234,010
Total	258,446	234,010

Notes to the financial statements (continued)

17 Borrowings (continued)

The associated annual interest charge in relation to amounts owed to group undertakings was:

	2022	2021
	£'000	£'000
AVIC Cabin Systems Co. Limited	10,056	8,766
Total	10,056	8,766

18 Provisions

	Warranty £'000
At 1 January 2021	6,615
Created	780
Released	(3,378)
Utilised	(160)
At 31 December 2021	3,857
Created	882
Released	(1,193)
Utilised	(200)
At 31 December 2022	3,346
Represented by:	
Current	1,647
Non-current	1,699
	3,346

Warranty and after-sales service costs are generally incurred over a number of years from delivery. Whilst actual events could result in differences to the quantum and timing of the outflows, management has reflected current knowledge in assessing the provision levels.

Notes to the financial statements (continued)

19 Deferred tax

Deferred tax assets

	2022	2021
	£'000	£'000
Tax losses	-	14,487
Property, plant and equipment	2,473	1,410
Deferred tax assets	2,473	15,897

In applying judgement in recognising deferred tax assets, management has critically assessed all available information, including future business profit projections.

The company has reduced the deferred tax asset relating to losses to nil on the basis of goodwill impairment and risk/uncertainty inherent in future events as permitted under IAS 12.

Movement in temporary differences

	At 1 January 2022 £'000	Recognised in income £'000	At 31 December 2022 £'000
Property, plant and equipment	1,410	1,063	2,473
Tax losses	14,487	(14,487)	-
	15,897	(13,424)	2,473

	At 1 January 2021 £'000	Recognised in income £'000	At 31 December 2021 £'000
Property, plant and equipment	636	774	1,410
Tax losses	22,960	(8,473)	14,487
	23,596	(7,699)	15,897

20 Trade and other payables

	2022	2021
	£'000	£'000
Current		
Trade payables	15,349	14,253
Amounts owed to group undertakings	5,986	-
Other taxes and social security costs	919	1,105
Accruals	30,738	25,495
Deferred Income	8,825	12,131
	61,817	52,984

The fair values of trade and other payables are not materially different from their carrying value as the impact of discounting is not significant.

For the purposes of IFRS 9 "Financial instruments" the financial liabilities noted above are classified as measured at amortised cost.

There is no difference between the amounts shown above and the total contractual undiscounted cash flows of trade and other payables.

Notes to the financial statements (continued)

20 Trade and other payables (continued)

	2022	2021
	£'000	£'000
Non current		
Deferred income	3,609	-
	3,609	-

The company has trade payable and other payable balances that are intercompany:

	2022	2021
	£'000	£'000
AVIC Cabin Systems (UK) Limited	2,798	-
AIM Altitude Limited	1,541	1,247
Jiatai Aircraft Equipment Co., Limited	1,647	262
Balance at the end of the year	5,986	1,509

The Company has recognised the following liabilities relating to contracts with customers (these are all included with deferred income):

	2022	2021
	£'000	£'000
Contract liabilities recognised at start of the year	1,506	919
Balance at the end of the year	3,979	1,506

Of the contract liabilities recognised at 31 December 2021 £1,421,000 was recognised as revenue during the year ended 31 December 2022.

The contract liabilities primarily relate to the advance consideration received from customers for design and engineering, for which revenue is recognised over time.

This will be recognised as revenue when the associated customer programmes progress to a sufficiently advanced level of completion.

21 Issued share capital

	Number	Number	Value (£)	Value (£)
	2022	2021	2022	2021
Ordinary £1 shares	442,007	442,007	442,007	442,007

The shares rank pari-passu, except that directors can vary the distributions paid by class of share. All shares are owned by the immediate parent undertaking, Symphony Bidco Limited.

Equity dividends

No dividend has been paid during the current financial year, and none is proposed (2021: £nil).

Notes to the financial statements (*continued*)

22 Reserves

Share premium account - this reserve represents the amount above the nominal value received for shares sold, less transaction costs.

23 Related party transactions

The Company has a related party relationship with its directors and key management personnel.

The Company considers key management personnel as defined under IAS24, Related Party Disclosures, to be members of the Company's board of directors. Total emoluments for directors are detailed in Note 7 to the financial statements.

Amounts due to related parties are disclosed in note 17.

24 Pensions

The Company operates a defined contribution scheme, the assets of which are held in independently administered funds. Contributions to these schemes over the year were £1,108,000 (2021: £905,000). At the end of the year contributions of £164,000 (2021: £116,000) were outstanding.

25 Commitments and contingencies

Capital commitments

Capital expenditure contracted for but not provided for in full in the financial statements is £4,500,000 (2021: £nil).

Loans are secured over land and buildings for the value of £3,710,000

26 Controlling parties

The immediate parent undertaking and immediate controlling party of the Company at 31 December 2022 is Symphony Bidco Limited, a Company registered in the United Kingdom.

The ultimate parent undertaking and ultimate controlling party at 31 December 2022 is the Aviation Industry Corporation of China, Limited. The largest group in which the results of the company are consolidated is that headed by AVIC Cabin Systems Co. Ltd, Room 2201 22f Fairmont House, 8 Cotton Tree Drive, Admiralty, Hong Kong. The smallest group in which they are consolidated is that headed by Symphony Bidco Ltd, 7th Floor, 50 Broadway, London, England, SW1H 0DB.

27 Subsequent events

There are no subsequent events to note.