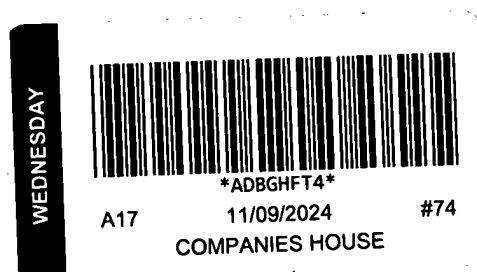


Thompson Aero Seating Limited

Annual report and financial statements

31 December 2023

Registered number NI032654



Contents

Company information	3
Strategic report	4
Directors' report	8
Independent auditor's report to the members of Thompson Aero Seating Limited	11
Income statement and statement of comprehensive income	15
Balance sheet	16
Statement of changes in equity	17
Notes to the financial statements	18

Company information

Directors

K Anderson (appointed 1 August 2023)
P Bell
J Dai
O Du
L Fan
H Fang
J Guo
N Taggart (resigned 31 July 2023)
Z Wang
T Xu

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 ended 31 December 2023 and 31 December 2022 are summarised below:

	Year ended 31 Dec 2023	Year ended 31 Dec 2022
	£'000	£'000
Revenue	115,125	86,036
Management EBITDA ¹	5,039	(8,201)
Operating loss	(1,004)	(10,936)
Firm orderbook	509,000	399,000

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 2023 was £8m (2022: £37m 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 £86m in 2022 to £115m driven largely by volume. Management EBITDA increased by £13m compared to prior year due primarily to this increased volume. A reconciliation of the Company's loss for the year 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 £110m.

There continues to be strong demand for the Company's innovative products with demand increasing across all airline platforms.

The Company continued its partnership with Invest Northern Ireland, working together to help the Company achieve its strategic plans. 2023 saw the completion of the Dynamic Test Facility at the Company's Banbridge site, with the official opening held in October 2023. This facility will bring additional capability into the Company as it will be able to invest further in R&D activities as well as support current programmes.

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 the Company's shareholders to understand their interests and any concerns they may have. The directors continue to engage with the Company's 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 its organisational development, including recruitment of key talent. This 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 the Company's new Dynamic Test Facility. 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 continue 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 the Company's 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 the Company is 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 the Company's customers and represents all the hard work from its employees to design and build these high-quality products. The Company continues to invest heavily in R&D activities to bring new designs and products to the market which are showcased annually at Aircrafts Interior Expo in Germany where the Company has the opportunity to further engage with customers and the market.

Employees

The directors have referenced its commitment to its employees in the Directors' Report. The directors confirm that they have engaged employees and taken account of their interests.

The Company continue to value Employee Voice and two-way communication. The positive relationships developed with the Company's staff forum and recognised Trade Union continue. The Trade Union shop stewards represent the hourly-paid population and the staff forum members represent the salaried population ensuring that all employees and departments are represented. Meetings occur with both groups monthly and there is also constant dialogue in relation to employee matters.

In addition to this the Company ensures employees are aware of Company goals and objectives as well as strategy and where they fit in the bigger picture via regular staff roadshows which are well received and internal communications via email, Company newsletters etc.

Staff safety and wellbeing remains paramount in daily operations and the Company continually invest in the facilities to ensure staff are working in comfortable surroundings.

Strategic report (continued)

Section 172 (1) statement (continued)

Environmental impact

The Company is committed to minimising its impact on the environment and working in partnership with its stakeholders. An example of how the Company is actioning this commitment is through its ISO 14001 accreditation. Maintaining and sustaining this certification demonstrates that the Company has a high focus on business conduct, including reducing environmental impact and improving sustainability of its business operation.

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 focus on achieving on-time delivery performance in a consistent and sustainable way. 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 developments 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. Passenger journeys are forecast to meet pre-pandemic levels in 2024, and there is record new aircraft orders in 2023 although the current challenge remains 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 relative stabilisation in material pricing but can see potential volatility in the future. 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, there are no listed securities held by the Company and the Company is not directly exposed to commodity price risk. 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 portfolio level is being addressed through ongoing transformation 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). The Company is working across all areas of the business 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 its 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 for each business unit. There were no major incidents

reported during the year.


Thompson Aero Seating Limited
Annual report and financial statements
31 December 2023

Strategic report *(continued)*

Position of the Company at the year end

The net liabilities of the Company at the balance sheet date are £229m (2022: net liabilities of £220m).

On behalf of the Board

A handwritten signature in black ink, appearing to be 'K Anderson', written in a cursive style.

K Anderson
Director

Date: 27 June 2024

Directors' report

The directors present their report and audited financial statements of the Company for the year ended 31 December 2023.

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 2024 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 2023 and none are proposed (year ended 31 December 2022: 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:

K Anderson (appointed 1 August 2023)

J Guo

N Taggart (resigned 31 July 2023)

P Bell

J Dai

O Du

L Fan

H Fang

Z Wang

T Xu

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 (2022: £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 offering and maintaining an inclusive workplace. Training and career progression opportunities are offered to all members of staff. Where possible, every endeavour is made to assist and facilitate employees with additional needs.

Two-way communication with employees takes place through a variety of channels including; regular staff newsletters, email communications, notice boards, staff briefings, all site roadshows, employee engagement surveys, monthly staff forum and trade union meetings as well as promoting an open door policy.

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 kept updated on all the relevant internal and external factors that affect overall performance.

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 2025.

The Company has made significant improvement in profitability from 2022 to 2023, however the Company did incur a loss for the financial year of £8.4m and has net current liabilities of £255.6m. The Company has continued to be supported by its shareholders, including receipt of £2.4m of additional funding in 2023.

A forecast model has been prepared to assess the most likely impact on the Company and the Company's revenue, profit or loss and cash flows out to 2028, taking into account cost saving and other efficiency measures implemented or planned. The output from this model covering the period to 31 December 2025 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. The Company's parent undertaking, AVIC Cabin Systems Co. Limited has indicated that existing loans will not need to be repaid within 12 months of the date of approval of these financial statements.

Directors' report (continued)

Going concern (continued)

This support however is not legally binding and accordingly there can be no certainty that the funds will not be recalled. 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

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure of information to auditors

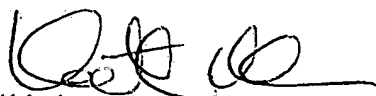
In the case of each of the persons who are directors at the time when the report is approved:

- (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

The independent auditors KPMG have indicated their willingness to continue in office and the resolution concerning their reappointment will be proposed at the annual general meeting.

On behalf of the Board



K Anderson
Director

Date: 27 June 2024



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 December 31, 2023 set out on pages 15 to 41, which comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the material accounting policies set out in note 1.

The financial reporting framework that has been applied in their preparation is UK Law and UK accounting standards, including 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 December 31, 2023 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 of the financial statements, which states that the company incurred losses in the current year of £8.4m and has net current liabilities of £255.6m. In addition, 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. A forecast model has been prepared to assess the most likely impact on the Company and the Company's revenue, profit or loss and cashflow. The Company's parent undertaking, AVIC Cabin Systems Co. Limited has indicated that existing loans will not need to be repaid within 12 months of the date of approval of these financial statements. This support however is not legally binding and accordingly there can be no certainty that the funds will not be recalled.

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 this respect.



Independent Auditor's Report to the Members of Thompson Aero Seating Limited (continued)

Material uncertainty related to going concern (continued)

The directors have prepared the financial statements on a going concern basis as they do not intend to liquidate the company or 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 one 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.

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, for instance through the imposition of fines or litigation.

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.



Independent Auditor's Report to the Members of Thompson Aero Seating Limited (continued)

Detecting irregularities including fraud (continued)

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.

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.



Independent Auditor's Report to the Members of Thompson Aero Seating Limited (continued)

Matters on which we are required to report by exception (continued)

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

27 June 2024

Income statement
for the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Revenue	3	115,125	86,036
Operating costs	4	(116,129)	(96,972)
Operating loss		(1,004)	(10,936)
Finance income	5	7	8
Finance expenses	6	(8,513)	(12,918)
Loss before tax		(9,510)	(23,846)
Tax credit/(charge)	8	1,098	(13,535)
Loss for the financial year		(8,412)	(37,381)

Statement of comprehensive income
for the year ended 31 December 2023

	2023 £'000	2022 £'000
Loss for the financial year	(8,412)	(37,381)
Total other comprehensive income for the year (net of tax)	-	-
Total comprehensive loss for the year	(8,412)	(37,381)


The notes on pages 18 to 41 form part of the financial statements.

The results for 2023 and 2022 arise from continuing

Balance sheet
as at 31 December 2023

	Note	2023 £'000	2022 £'000
Non-current assets			
Intangible assets	9	3,877	3,540
Property, plant and equipment	10	19,422	13,293
Financial asset	15	1,043	1,043
Deferred tax assets	18	4,028	2,473
Right of use assets	11	845	1,240
		29,215	21,589
Current assets			
Inventories	12	45,724	45,929
Trade and other receivables	13	36,708	37,315
Corporation tax recoverable		1,630	1,228
Cash and cash equivalents	14	5,085	2,309
		89,147	86,781
Total assets		118,362	108,370
Non-current liabilities			
Deferred income	19	-	(3,609)
Lease liabilities	11	(408)	(807)
Provisions	17	(1,724)	(1,699)
		(2,132)	(6,115)
Current liabilities			
Trade and other payables	19	(72,400)	(61,817)
Lease liabilities	11	(436)	(433)
Borrowings	16	(269,260)	(258,446)
Provisions	17	(2,634)	(1,647)
		(344,730)	(322,343)
Total liabilities		(346,862)	(328,458)
Net liabilities		(228,500)	(220,088)
Capital and reserves			
Issued share capital	20	442	442
Share premium account	21	501	501
Accumulated losses		(229,443)	(221,031)
Total equity		(228,500)	(220,088)

The financial statements on pages 18 to 41 were approved by the Board of Directors on 27 June 2024 and signed on its behalf by:


K Anderson
Director
Registered number: NI032654

Statement of changes in equity
for the year ended 31 December 2023

	Issued share capital £'000	Share premium account £'000	Accumulated losses £'000	Total equity £'000
At 1 January 2022	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)
Loss for the year and total comprehensive loss for the year	-	-	(8,412)	(8,412)
At 31 December 2023	442	501	(229,443)	(228,500)

The notes on pages 18 to 41 form part of the financial statements.

Notes to the financial statements

1 Material 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 Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Symphony Bidco Limited 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 2025.

The Company has made significant improvement in profitability from 2022 to 2023, however the Company did incur a loss for the financial year of £8.4m and has net current liabilities of £255.6m. The Company has continued to be supported by its shareholders, including receipt of £2.4m of additional funding in 2023.

A forecast model has been prepared to assess the most likely impact on the Company and the Company's revenue, profit or loss and cash flows out to 2028, taking into account cost saving and other efficiency measures implemented or planned. The output from this model covering the period to 31 December 2025 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 material accounting policies (continued)

Going concern (continued)

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 Company's parent undertaking, AVIC Cabin Systems Co. Limited has indicated that existing loans will not need to be repaid within 12 months of the date of approval of these financial statements. This support however is not legally binding and accordingly there can be no certainty that the funds will not be recalled. 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.

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.

Thompson Aero Seating Limited
Annual report and financial statements
31 December 2023

Notes to the financial statements (continued)

1 Summary of material accounting policies (continued)

Revenue from contracts with customers (continued)

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.

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.

Notes to the financial statements (continued)

1 Summary of material accounting policies (continued)

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 use)

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,

Notes to the financial statements (continued)

1 Summary of material accounting policies (continued)

Leases (continued)

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 material 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	3-5 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 material 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 material 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.

The Group was awarded a capital grant of £750,000 towards the construction of the Dynamic Test Facility. This amount was received in 2023 and income is recognised to the profit or loss over the useful life of the asset.

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:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 – Effective 1 January 2023
- International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12 – Effective 23 May 2023
- Disclosure of Accounting Policies – Amendments to IAS and IFRS Practice Statement 2 – Effective 1 January 2023

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:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current; Classification of Liabilities as Current or Non-Current – Deferral of Effective Date; and Non-current Liabilities with Covenants - Effective date 1 January 2024
- Amendments to IFRS 16 Leases: Liability in a Sale and Leaseback - Effective date 1 January 2024

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.

Provisions have been made for contractual claims. Based on management's best estimates to settle the claims £1.2 million has been recognised as a provision as at 31 December 2023.

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 recognised deferred tax assets of £2.6m relating to losses in 2023 and future projections for the next 5 years.

Notes to the financial statements (continued)

3 Revenue

Revenue by customer location

	2023	2022
	£'000	£'000
United Kingdom	4,700	4,495
Rest of Europe	30,786	16,303
Middle East	2,223	5,638
USA and Canada	40,173	34,118
Asia and Pacific	16,690	22,892
Other	20,553	2,590
	115,125	86,036

Revenue from contracts with customers

	2023	2022
	£'000	£'000
Revenue from contracts with customers	115,125	86,036
	115,125	86,036

Revenue by category and timing of revenue recognition

	2023	2022
	£'000	£'000
At a point in time:		
Production	93,765	77,700
Over time:		
Design & engineering	21,360	8,336
	115,125	86,036

The corresponding contract assets and liabilities have been disclosed in note 13 and 19 respectively.

The Company only has one operating segment.

Notes to the financial statements (continued)

4 Operating costs

	2023	2022
	£'000	£'000
Raw materials and other bought-in items	62,825	45,401
Change in inventories of finished goods and work in progress	(1,372)	2,173
Cost of inventories expensed	61,453	47,574
Staff costs (note 7)	28,835	25,378
Depreciation, amortisation and impairment	5,530	3,602
Loss/(profit) on disposal of machinery	5	(221)
Other income ¹	(1,403)	(1,358)
Logistics	2,751	4,007
Externally provided workers	3,236	4,049
Installation support	2,774	2,887
Other operating costs	12,948	11,054
Operating costs	116,129	96,972
Included within the above analysis are the following expenses:		
Lease and sublease expense	490	486
Research and development expenditure	8,971	5,994

¹Other income includes RDEC grant income of £1,330,000 (2022: £829,000) and Invest NI income of £73,000 (2022: £529,000). 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

	2023	2022
	£'000	£'000
Fees payable to the Company's auditors for the audit of the Company's annual report and financial statements	55	52
Tax advisory services	8	-
Total fees payable to the Company's auditors	63	52

Reconciliation to Management EBITDA

	2023	2022
	£'000	£'000
Operating loss	(1,004)	(10,936)
Add back Depreciation, amortisation and impairment	5,530	3,602
EBITDA	4,526	(7,334)
Add back Non-operating items:		
Other non-operating expenses ¹	513	(867)
Management EBITDA	5,039	(8,201)

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

Notes to the financial statements (continued)

5 Finance income

	2023	2022
	£'000	£'000
Other	7	8
Finance income	7	8

6 Finance expenses

	2023	2022
	£'000	£'000
Interest on bank guarantee	66	48
Interest under IFRS 16	33	35
Interest on amounts due to group undertakings (note 16)	9,758	10,056
Foreign exchange (gains)/losses	(1,344)	2,779
Finance expense	8,513	12,918

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:

	2023	2022
	No.	No.
Management, engineering, administration and sales	473	468
Production	171	157
Total	644	625

The aggregate payroll costs in the year were as follows:

	2023	2022
	£'000	£'000
Wages and salaries	24,038	21,697
Social security costs	2,628	2,573
Other pension costs	2,169	1,108
Total	28,835	25,378

Directors' emoluments

	2023	2022
	£'000	£'000
Aggregate emoluments	686	441
Pension contributions	37	26
Total	723	467

Highest paid director

	2023	2022
	£'000	£'000
Aggregate emoluments	239	316
Pension contributions	15	23
Total	254	339

There were benefits accruing to three (2022: two) directors under a money purchase scheme at the year-end.

The following directors received remuneration from the Company during the year ended 31 December 2023: K Anderson, P Bell, H Fang and N Taggart.

The following directors were not remunerated by the Company during the year ended 31 December 2023: J Guo, O Du, L Fan, Z Wang, J Dai, T Xu.

Notes to the financial statements (continued)

8 Tax charge

Tax charge included in income statement	Note	2023 £'000	2022 £'000
Current tax			
- Adjustments in respect of prior years		457	111
Total current tax		457	111
Deferred tax			
- Origination and reversal of timing differences		1,013	(1,063)
- (Recognition)/Derecognition of previously recognised deferred tax asset relating to tax losses		(2,568)	14,487
Total deferred tax	18	(1,555)	13,424
Tax (credit)/charge		(1,098)	13,535

Reconciliation of tax expense

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

	2023 £'000	2022 £'000
Loss before tax	(9,510)	(23,846)
Applying standard rate of UK corporation tax of 23.5% (2022:19%)	(2,235)	(4,531)
Effects of:		
- Expenses not deductible for tax purposes	2,928	2,458
- Current year losses not recognised	320	1,010
- (Recognition)/Derecognition of previously recognised deferred tax asset relating to tax losses	(2,568)	14,487
- Adjustments in respect of prior years	457	111
Tax (credit)/charge	(1,098)	13,535

Tax rate changes

In the 2023 Spring Budget, the Government confirmed that the main corporation tax will increase to 25% from 1 April 2023.

Notes to the financial statements (continued)

9 Intangible assets

	Computer software £'000	Intangibles other £'000	Capitalised development £'000	Total £'000
Cost				
At 1 January 2022	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
Additions	251	-	1,192	1,443
At 31 December 2023	2,992	1,100	4,068	8,160
Accumulated amortisation and impairment				
At 1 January 2022	(2,288)	(332)	-	(2,620)
Amortisation charge	(208)	(133)	(216)	(557)
Impairment	-	-	-	-
At 31 December 2022	(2,496)	(465)	(216)	(3,177)
Amortisation charge	(134)	(170)	(802)	(1,106)
Impairment	-	-	-	-
At 31 December 2023	(2,630)	(635)	(1,018)	(4,283)
Net book value				
At 31 December 2023	362	465	3,050	3,877
At 31 December 2022	245	635	2,660	3,540

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 2022	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
Additions	-	67	5,345	395	4,355	10,162
Transfer	2,280	-	(6,732)	3,658	794	-
Disposals	-	-	-	(80)	-	(80)
At 31 December 2023	4,529	5,943	1,627	16,383	14,799	43,281
Accumulated depreciation and impairment						
At 1 January 2022	(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)
Depreciation charge	(114)	(342)	-	(1,143)	(2,176)	(3,775)
Impairment	-	-	(252)	-	-	(252)
Depreciation on disposals	-	-	-	59	-	59
Impairment on disposals	-	-	-	15	-	15
At 31 December 2023	(536)	(3,307)	(1,115)	(11,156)	(7,746)	(23,860)
Net book value						
At 31 December 2023	3,992	2,636	512	5,227	7,053	19,422
At 31 December 2022	1,827	2,912	2,151	2,323	4,080	13,293

Notes to the financial statements (continued)

11 Right of use assets and lease liabilities

	Buildings £'000
Right of use assets	
Cost	
At 1 January 2022	2,806
Additions	-
At 31 December 2022	2,806
Additions	-
At 31 December 2023	2,806
Accumulated depreciation and impairment	
At 1 January 2022	(1,135)
Depreciation charge	(431)
At 31 December 2022	(1,566)
Depreciation charge	(395)
At 31 December 2023	(1,961)
Net book value	
At 31 December 2023	845
At 31 December 2022	1,240

The balance sheet shows the following amounts relating to leases:

	2023 £'000	2022 £'000
Buildings	845	1,240
Total	845	1,240
Lease liabilities		
Current	436	433
Non-current	409	807
Total	845	1,240

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

	2023 £'000	2022 £'000
Depreciation charge of right of use assets		
Buildings	(395)	(431)
Total	(395)	(431)

	2023 £'000	2022 £'000
Interest expense	(33)	(35)
Total	(33)	(35)

The total cash outflow for lease principal was £428,000 (2022: £466,000). The cash outflow for lease interest was £33,000 (2022: £35,000).

Notes to the financial statements (continued)

12 Inventories

	2023	2022
	£'000	£'000
Raw materials and consumables	28,201	27,033
Work in progress	15,405	18,292
Finished goods	2,118	604
Total	45,724	45,929

Movement in inventory provision	2023	2022
	£'000	£'000
As at 1 January	20,627	21,460
Provision consumed	(1,101)	(1,276)
Amounts charged to the profit and loss account	3,436	442
As at 31 December	22,962	20,627

The cost of inventories recognised as stock write offs and included in operating costs amounted to £5,170,000 (2022: £2,582,000).

13 Trade and other receivables

	2023	2022
	£'000	£'000
Current		
Trade receivables	25,804	21,491
Amounts owed by group undertakings	5,790	4,176
Prepayments and accrued income	2,608	6,385
Contract assets	1,153	3,326
Other receivables	1,353	1,937
	36,708	37,315

The Company's trade receivables are stated after provisions for impairment of £282,000 (2022: £224,000). 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.

Movements in the provision for bad debts are as follows:

	2023	2022
	£'000	£'000
At 1 January	224	1,216
Released	-	(992)
Created	58	-
At 31 December	282	224

Notes to the financial statements (continued)

13 Trade and other receivables (continued)

The Company has trade receivables balances that are intercompany:

	2023	2022
	£'000	£'000
AVIC Cabin Systems (UK) Limited	2,055	1,222
AUK Realisations Limited (previously AIM Altitude Limited)	687	573
Symphony Bidco Limited	1,240	1,167
Jiatai Aircraft Equipment Co., Ltd	1,808	1,214
Balance at the end of the year	5,790	4,176

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

	2023	2022
	£'000	£'000
Contract assets recognised at start of the year	3,326	3,358
Balance at the end of the year	1,153	3,326

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)

14 Cash and cash equivalents

	2023	2022
	£'000	£'000
Cash	5,085	2,309
Total cash and cash equivalents	5,085	2,309

15 Financial assets

	2023	2022
	£'000	£'000
Cash collateral for customs comprehensive guarantee	1,043	1,043
Total financial assets	1,043	1,043

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

16 Borrowings

	2023	2022
	£'000	£'000
Current		
Amounts due to group undertakings	269,260	258,446
Total borrowings	269,260	258,446

Amounts due to group undertakings

The amounts due to group undertakings are designated in Pounds Sterling and US Dollars and total £269,260,000 in Pound Sterling equivalent (2022: £258,446,000). 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 £248,398,000 (2022: £237,750,000) This was calculated by discounting the loans refinanced during 2023 and new loans received in 2023 by the Company's cost of equity of 14.9%. There has been no substantial modification to the terms of the loans which were all 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

	2023	2022
	£'000	£'000
AVIC Cabin Systems Co. Ltd	269,260	258,446
Total	269,260	258,446

Notes to the financial statements (continued)

16 Borrowings (continued)

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

	2023	2022
	£'000	£'000
AVIC Cabin Systems Co. Ltd	9,758	10,056
Total	9,758	10,056

17 Provisions

	Warranty	Other contractual claim	Total
	£'000	£'000	£'000
At 1 January 2022	3,857	-	3,857
Created	882	-	882
Released	(1,193)	-	(1,193)
Utilised	(200)	-	(200)
At 31 December 2022	3,346	-	3,346
Created	954	1,223	2,177
Released	(849)	-	(849)
Utilised	(316)	-	(316)
At 31 December 2023	3,135	1,223	4,358
Represented by:			
Current	1,411	1,223	2,634
Non-current	1,724	-	1,724
At 31 December 2023	3,135	1,223	4,358

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.

Other contractual claim provisions relate to claims made to the Company in the normal course of business. A contingent liability has also been recognised with respect to this matter – see note 24 for further details.

Notes to the financial statements (continued)

18 Deferred tax

Deferred tax assets

	2023	2022
	£'000	£'000
Tax losses	2,568	-
Property, plant and equipment	1,460	2,473
Deferred tax assets	4,028	2,473

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

The Company expects to be profitable in the coming years and plans to carry forward tax losses to utilise against these future projected profits. Whilst the Company expects to be profitable there are a number of uncertainties when forecasting into the future and as such the probability of these profits being achieved is lower than that which would be required to recognise the full amount of deferred tax asset on the balance sheet. Management have determined the deferred tax asset to be £4,028,000 (2022: £2,473,000).

Movement in temporary differences

	At 1 January 2023 £'000	Recognised in income £'000	At 31 December 2023 £'000
Property, plant and equipment	2,473	(1,013)	1,460
Tax losses	-	2,568	2,568
	2,473	1,555	4,028

	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

19 Trade and other payables

	2023	2022
	£'000	£'000
Current		
Trade payables	15,236	15,349
Amounts owed to group undertakings	11,837	5,986
Other taxes and social security costs	716	919
Accruals	33,702	30,738
Deferred income	10,909	8,825
	72,400	61,817

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)

19 Trade and other payables (continued)

	2023	2022
	£'000	£'000
Non current		
Deferred income	-	3,609
	-	3,609

The company has trade payable balances that are intercompany:

	2023	2022
	£'000	£'000
AVIC Cabin Systems (UK) Limited	8,495	2,798
AUK Realisations Limited (previously AIM Altitude Limited)	2,834	1,541
Jiatai Aircraft Equipment Co., Limited	508	1,647
Balance at the end of the year	11,837	5,986

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

	2023	2022
	£'000	£'000
Contract liabilities recognised at start of the year	3,979	1,506
Balance at the end of the year	10,321	3,979

Of the contract liabilities recognised at 31 December 2022 £3,918,000 (2022: £1,421,000) was recognised as revenue during the year ended 31 December 2023.

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.

20 Issued share capital

	Number	Number	Value (£)	Value (£)
	2023	2022	2023	2022
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 (2022: £nil).

Notes to the financial statements (continued)

21 Reserves

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

22 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 19.

23 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 £2,169,000 (2022: £1,108,000). At the end of the year contributions of £175,000 (2022: £164,000) were outstanding.

24 Commitments and contingencies

Capital commitments

Capital expenditure contracted for but not provided for in full in the financial statements is £nil (2022: £4,500,000).

Loans are secured over land and buildings for the value of £3,710,000 (2022: £3,710,000).

Contingent liability

The Company has received notification of a potential contractual claim from a customer in relation to operations undertaken in the normal course of business. A provision of £1.2m has been recognised based on management's best estimates to settle the claims (see note 17). As discussions are only at an early stage the validity and magnitude of any obligations that might arise from this claim beyond the recorded provision cannot be quantified with sufficient reliability for the financial effect to be disclosed. A portion of this potential liability may be recoverable from suppliers but the amount of any such receivable also cannot be quantified with sufficient reliability for the financial effect to be disclosed.

25 Controlling parties

The immediate parent undertaking and immediate controlling party of the Company at 31 December 2023 is Symphony Bidco Limited, a Company registered in the United Kingdom.

The ultimate parent undertaking and ultimate controlling party at 31 December 2023 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 2202A 22F Fairmont House, 8 Cotton Tree Drive, Admiralty, Hong Kong. The smallest group in which they are consolidated is that headed by Symphony Bidco Limited, 7th Floor, 50 Broadway, London, England, SW1H 0DB.

26 Subsequent events

There are no subsequent events to note.