

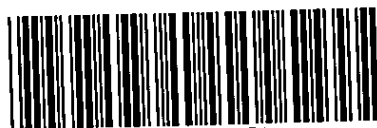
Premium Aircraft Interiors UK Limited

**Directors' report and financial
statements**

Registered number 278391

Year ended 31 December 2007

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Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	3
Independent auditors' report to the members of Premium Aircraft Interiors UK Limited	4
Profit and loss account	6
Statement of total recognised gains and losses	6
Balance sheet	7
Notes	8

Directors' report

The directors present their annual report and audited financial statements for the year ended 31 December 2007

Principal activities

The principal activity of the company is the manufacture of aircraft interior equipment

Review of business and future developments

The profit and loss account for the year is set out on page 6

The company experienced a difficult year, although the recovery plan embarked upon in early 2004 significantly benefited the 2007 results

The recovery plan is almost complete and the directors believe the company is well placed to take advantage of the expected improvements in the aircraft industry and therefore anticipate an improvement in the company's performance in the medium term

Dividends

The directors do not recommend the payment of a dividend (2006 £Nil)

Research and development

The company maintains a continuing commitment to carrying out research and development in support of existing activities and specific new products. In the year, expenditure on research and development (including customer funded work) was £20,678,000 (2006 £12,261,000)

Directors

The directors of the company who served during the year are as follows

RJ Bettell
PD Carter (appointed 5 November 2007)
MC Crompton (appointed 12 February 2007)
SL Duffield (resigned 30 April 2007)
JP Findler (appointed 30 April 2007, resigned 4 December 2007)
J McComasky (appointed 30 April 2007)
DG Robertson (resigned 30 April 2007)
DK Weston

MA Kayser was appointed as a director of the company on 10 April 2008

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Directors' report *(continued)*

Employees

Management of the company are responsible for

- (a) the development of employee involvement and communication policies which are appropriate to their own particular needs and in line with accepted practices,
- (b) ensuring that no employee or potential employee receives less favourable treatment on the grounds of sex, marital status, colour, race, nationality, religious beliefs or disability,
- (c) selection and promotion being based on the suitability of an individual's skills, aptitude and experience for the job, and
- (d) fully and fairly considering applications for employment from disabled persons having regard to the aptitudes and abilities of the applicant. In the event of disability, every effort is made to ensure that suitable training for employment with the Company or elsewhere is given

Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £378 (2006 £600)

Auditors

The company has elected to dispense with the annual re-appointment of auditors and in the absence of a specific resolution KPMG LLP will continue in office

By order of the board



SD McCashin
For Seton House International Services Limited,
Secretary

24 April 2008

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss for that period.

In preparing those 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.



KPMG LLP

2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of Premium Aircraft Interiors UK Limited

We have audited the financial statements on pages of Premium Aircraft Interiors UK Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Premium Aircraft Interiors UK Limited (*continued*)

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



KPMG LLP
Chartered Accountants
Registered Auditor

24 April 2008

Profit and loss account
for the year ended 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Turnover	2	125,970	97,034
Cost of sales		(114,886)	(86,493)
Gross profit		11,084	10,541
Distribution costs		(1,201)	(908)
Administrative expenses		(12,028)	(8,285)
Operating (loss)/profit	3	(2,145)	1,348
Net interest payable	4	(2,124)	(1,549)
Loss on ordinary activities before taxation		(4,269)	(201)
Tax credit on ordinary activities	7	221	1,183
(Loss)/profit on ordinary activities after taxation		(4,048)	982
Profit and loss account brought forward		(13,759)	(14,741)
Profit and loss account carried forward		(17,807)	(13,759)

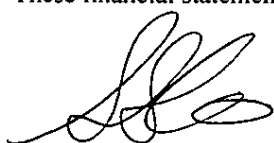
Statement of total recognised gains and losses
for the year ended 31 December 2007

The company has no recognised gains or losses other than the profits and loss for the years above and therefore no separate statement of total recognised gains and losses has been presented

Balance sheet
at 31 December 2007

	<i>Note</i>	2007		2006	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8		9,793		9,299
Capitalised engineering costs			2,992		-
Investments	9		155		150
			<hr/>		<hr/>
Current assets			12,940		9,449
Stocks	10	25,790		25,529	
Debtors	11	28,098		33,665	
Cash at bank and in hand		27		2,135	
		<hr/>		<hr/>	
		53,915		61,329	
Creditors amounts falling due within one year	12	(57,660)		(63,772)	
		<hr/>		<hr/>	
Net current liabilities			(3,745)		(2,443)
			<hr/>		<hr/>
Total assets less current liabilities			9,195		7,006
Provisions for liabilities and charges	13		(1,138)		(765)
			<hr/>		<hr/>
Net assets			8,057		6,241
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	15		25,864		20,000
Profit and loss account	16		(17,807)		(13,759)
			<hr/>		<hr/>
Equity shareholders funds	17		8,057		6,241
			<hr/>		<hr/>

These financial statements were approved by the directors and signed on their behalf on 24 April 2008 by



PD Carter
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of accounting

The financial statements are prepared in accordance with applicable UK Accounting Standards and under the historical cost convention

The company is exempt, by virtue of section 228 of the Companies Act 1985, from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

Going concern

The financial statements have been prepared on a going concern basis. The financial statements show net current liabilities of £3,745,000. However, the directors believe that the company will continue to trade for the foreseeable future and have concluded that the going concern basis of preparation is appropriate as they have received an undertaking from Seton House Group Limited that they will provide such financial support as is necessary to enable the company to continue trading for at least one year from the date of signing these financial statements.

Depreciation

Depreciation is calculated on cost on a straight line basis to write off the relevant assets over their expected useful lives. The principal annual rates used are as follows:

Plant and office equipment	10%
Vehicles	50%
Computer hardware and software	20-33 $\frac{1}{3}$ %
Production tooling	33 $\frac{1}{3}$ %

Leasehold properties are amortised over the shorter of 50 years and the unexpired portion of the lease.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and estimated realisable value. Cost includes materials, direct labour and the appropriate proportion of production overheads.

In addition the company also has certain long term contracts for the supply of products where prices are determined and invoiced according to the separate parts of the contract. For such contracts, turnover and profit are recognised when the products are delivered, and provision is made for any foreseeable loss on the overall project.

Notes (continued)

1 Accounting policies (continued)

Finance and operating leases

Assets held under finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the term of the lease, including any secondary period, and the expected useful life. The obligation to pay future rentals is included in creditors net of finance charges allocated to future periods. The financial charge element of rentals is calculated on the reducing balance of capital outstanding and charged to the appropriate accounting period through the profit and loss account. Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between results as stated in the financial statements and as computed for taxation purposes.

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Warranty provisions

Provision is made for the estimated liability of all products under warranty.

Pensions

The ultimate parent undertaking operates a number of defined benefit pension schemes for its employees. All the schemes are funded, liabilities are provided on a systematic basis over the period of employment of scheme members. Variations disclosed by actuarial valuations are spread over the average remaining service lives of current scheme members.

The ultimate parent undertaking also operates a money purchase pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge for the year includes contributions payable by the company to the fund during the year.

Research and development

Expenditure on research and development, to the extent it is not funded by customers, is written off in the year in which it is incurred.

Foreign currencies

Unless hedging arrangements are in place, transactions in foreign currencies are recorded at the exchange rates at the dates of the transactions and monetary assets and liabilities are translated at the closing rates. Where hedging arrangements are in place the rates under those arrangements are used.

Cash flow statement

A cash flow statement has not been prepared because the company is a wholly owned subsidiary of Seton House Group Limited whose consolidated cash flow statement includes the cash flows of the company.

Related party transactions

As permitted by paragraph 3(c) FRS8 (related party disclosures) the company has taken advantage of the exemption for 90% subsidiaries not to disclose related party transactions with group entities. There were no other related party transactions disclosable under FRS8.

Government grants

Government grants are treated in accordance with the nature of the grant that has been received.

Fixed asset investments

Investments in subsidiary undertakings are stated at cost less provision for impairment where necessary to reduce book value to recoverable amount.

Notes (continued)

2 Turnover

Turnover represents the invoiced value, excluding value added tax, of goods, and services provided to customers

The analysis of turnover by geographical area is as follows

	2007 £000	2006 £000
United Kingdom	13,783	9,375
Europe	28,778	24,085
Rest of the world	83,409	63,574
	<u>125,970</u>	<u>97,034</u>

3 Operating (loss)/profit

	2007 £000	2006 £000
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Operating (loss)/profit is stated

after charging

Depreciation	1,763	1,546
Auditors' remuneration		
Audit	64	61
Non audit	-	2
Operating leases		
Plant and machinery	1,119	660
Land and buildings	1,768	1,356
Research and development expenditure (including customer funded work)	20,678	12,261
	<u></u>	<u></u>

The land and buildings operating lease charge in 2007 of £1,768,000 (2006 £1,356,000) is net of a utilisation of £Nil (2006 £60,000) of provisions for vacant premises

4 Net interest payable

	2007 £000	2006 £000
Bank interest payable	2,186	1,444
Interest payable to group undertakings	-	172
Interest receivable from group undertakings	(62)	(67)
	<u>2,124</u>	<u>1,549</u>

Notes (continued)

5 Employee information

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2007	2006
By activity:		
Production	855	779
Sales and distribution	35	19
Administration	134	115
	<u>1,024</u>	<u>913</u>

The aggregate payroll costs of these persons were as follows

	£000	£000
Wages and salaries	26,642	22,399
Social security costs	2,710	2,306
Pension costs (see note 21)	667	599
	<u>30,019</u>	<u>25,304</u>

6 Directors' emoluments

	2007 £000	2006 £000
Aggregate emoluments	347	151
Company contributions to money purchase schemes	29	8
	<u>376</u>	<u>159</u>

Emoluments payable to the highest paid director are as follows

	£000	£000
Aggregate emoluments	227	111
Money purchase scheme Contributions during the year	21	7

There are no retirement benefits accruing to the directors (2006 £Nil) under the Britax Pension Fund defined benefit schemes. Retirement benefits are accruing to 2 directors (2006 1) under the Britax Pension fund money purchase scheme.

Notes (continued)

7 Tax on profit on ordinary activities

Analysis of charge in year

	2007	2006
	£000	£000
<i>UK corporation tax</i>		
Group relief receivable	-	(134)
Adjustments in respect of prior years	(221)	452
Total current tax	(221)	318
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	19
Adjustments in respect of prior years	-	(1,520)
Tax charge/(credit) on (loss)/profit on ordinary activities	(221)	(1,183)

Factors affecting the tax charge for the current year

The standard rate of tax for the year based on the UK standard rate of corporation tax is 30%. The actual tax credit for the current and previous year differs from the standard rate for the reasons set out in the following reconciliation

	2007	2006
	£000	£000
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before taxation	(4,269)	(201)
Current tax at 30% (2006 30%)	(1,281)	(60)
<i>Effects of</i>		
Expenses not deductible for tax purposes	312	57
Capital allowances for year in excess of depreciation (unprovided)	(116)	(112)
Utilisation of tax losses	1,080	-
Movement in provided short term timing differences	5	(19)
Adjustments to tax charge in respect of prior years	(221)	452
Total current tax credit/(charge) (see above)	(221)	318

Factors affecting future tax charges

A deferred tax asset of £261,000 (2006 £558,000) has not been recognised in respect of timing differences relating to depreciation charged in excess of capital allowances claimed

A deferred tax asset of £11,183,000 (2006 £7,964,000) has not been recognised in respect of timing differences relating to tax losses carried forward

The above deferred tax assets will be recovered if sufficient taxable profits arise against which these assets may be fully utilised

The corporation tax rate applicable to the UK companies within the group changed from 30% to 28% on 1 April 2008

Notes (continued)

8 Tangible fixed assets

	Short leasehold property £000	Plant and vehicles £000	Total £000
<i>Cost or valuation</i>			
At beginning of year	6,840	11,241	18,081
Additions	252	2,019	2,271
Disposals	-	(290)	(290)
At end of year	7,092	12,970	20,062
<i>Depreciation</i>			
At beginning of year	1,678	7,104	8,782
Charge for the year	317	1,446	1,763
Disposals	-	(276)	(276)
At end of year	1,995	8,274	10,269
<i>Net book value</i>			
At 31 December 2007	5,097	4,696	9,793
At 31 December 2006	5,162	4,137	9,299

9 Fixed asset investments

	Shares in group undertaking £000
<i>Cost</i>	
At beginning of year	1,061
Additions	5
At end of year	1,066
<i>Provision for diminution in value</i>	
At beginning and end of year	911
<i>Net book value</i>	
At 31 December 2007	155
At 31 December 2006	150

The company holds 100% of the share capital of Heath Tecna Pty Ltd, incorporated in Australia and 90% of the share capital of Sell Premium Aircraft Interiors CZ s r o , incorporated in the Czech Republic

10 Stocks

	2007 £000	2006 £000
Raw materials and consumables	16,428	18,551
Work in progress	4,715	4,391
Long term contract balances	4,647	2,587
	25,790	25,529

Notes (continued)

11 Debtors

	2007 £000	2006 £000
Amounts falling due within one year:		
Trade debtors	14,513	16,947
Amounts owed by group undertakings	2,959	2,790
Other debtors	425	4,904
Taxes recoverable	1,440	1,205
Group tax relief receivable	3,822	3,601
Deferred tax asset (see note 14)	3,300	3,300
Prepayments and accrued income	1,639	918
	<u>28,098</u>	<u>33,665</u>

12 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Bank loans and overdrafts	28,606	35,548
Payments received on account	547	3,924
Trade creditors	19,588	19,377
Amounts owed to group undertakings	972	1,465
Other taxes and social security	933	762
Other creditors	5,407	153
Accruals and deferred income	1,607	2,543
	<u>57,660</u>	<u>63,772</u>

The bank loans and overdrafts are secured by a joint and several guarantee with PAIG International Limited and certain other subsidiaries of Seton House Group Limited

13 Provisions for liabilities and charges

	Restructuring provision £000	Warranty provision £000	Total £000
At beginning of year	101	664	765
Profit and loss account	(54)	820	766
Utilised	-	(393)	(393)
	<u>47</u>	<u>1,091</u>	<u>1,138</u>
At end of year	47	1,091	1,138

Restructuring provision

The restructuring provision was created for the relocation of the Aircraft Seating and Customer Services businesses to Cwmbran, South Wales. The closing provision at 31 December 2007 relates largely to the vacant surplus premises.

Warranty provision

The warranty provision covers future product costs arising in the normal course of business from prior period sales.

Notes (continued)

14 Deferred tax

The elements of deferred taxation are as follows

	2007 £000	2006 £000
Other timing differences	100	100
Losses	3,200	3,200
	<hr/>	<hr/>
Deferred tax asset	3,300	3,300
	<hr/>	<hr/>
Asset at start of year	3,300	1,800
Prior year movement	-	1,519
Deferred tax credit in profit and loss account for the year	-	(19)
	<hr/>	<hr/>
Asset at end of year (see note 11)	3,300	3,300
	<hr/>	<hr/>

15 Called up share capital

	2007 £000	2006 £000
<i>Authorised*</i>		
35,000,000 ordinary shares of £1 each	35,000	35,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid*</i>		
At the beginning of the year	20,000	20,000
Increase during the year	5,864	-
	<hr/>	<hr/>
At the end of the year	25,864	20,000
(2006 20,000,000)		
	<hr/>	<hr/>

The ordinary shareholders are entitled to receive all distributions that may be declared from the company's retained earnings. On return of capital, the surplus assets, after payment of liabilities, shall be paid to the ordinary shareholders according to the paid up amount on the shares.

16 Reserves

	Profit and loss account £000
At beginning of year	(13,759)
Loss on ordinary activities after taxation	(4,048)
	<hr/>
At end of year	(17,807)
	<hr/>

17 Reconciliation of movements in shareholders' funds

	2007 £000	2006 £000
(Loss)/profit for the financial year	(4,048)	982
Shares issued during the year	5,864	-
Opening shareholder's funds	6,241	5,259
	<hr/>	<hr/>
Closing shareholders' funds	8,057	6,241
	<hr/>	<hr/>

Notes (continued)

18 Capital commitments

Capital expenditure contracted but not provided for totalled £503,000 at 31 December 2007 (2006 £1,510,000)

19 Financial commitments

At 31 December 2007 the company had annual commitment under non-cancellable operating leases as follows

	Land and buildings		Other	
	2007	2006	2007	2006
	£000	£000	£000	£000
Expiring within one year	26	26	145	618
Expiring between two and five years inclusive	104	7	5,788	103
Expiring in over five years	616	616	919	919
	<u>746</u>	<u>649</u>	<u>6,852</u>	<u>1,640</u>

20 Contingent liabilities

The company is a party to multilateral cross guarantee structures in respect of the indebtedness of PAIG International Limited and certain other subsidiaries of Seton House Group Limited to Barclays Bank PLC and HSBC Bank plc

The company is also a guarantor of term and revolving debt facilities, totalling at 31 December 2007 £51 million, which are available to Seton House Group Limited and certain of its subsidiaries

The company has a duty deferment guarantee of £150,000 in respect of HM Customs and Excise

21 Pensions

The company participates in a funded group wide pension scheme providing benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

Following negotiations with the pension regulator in anticipation of the disposal of Britax Childcare Group Limited and the Public Safety Division, the Britax Pension Fund was split as at 1 August 2005 into three schemes: the Britax Pension Fund, The Britax Childcare Pension Fund and the Public Safety Equipment Pension Fund.

Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS17 'Retirement benefits' the scheme will be accounted for in these financial statements as if the scheme was a defined contribution scheme. At 31 December 2007 the Britax Pension Fund had a surplus on an FRS17 basis of £3.1 million (2006 surplus for this fund £0.2 million, 2006 deficit including Public Safety Equipment Fund £0.1 million).

The latest full actuarial valuation was carried out at 31 March 2006 for the full scheme and for the two separate schemes was updated for FRS 17 purposes to 31 December 2007 by a qualified independent actuary. The contribution for the year was £268,000 (2006 £219,000). Further details of these valuations are set out in the consolidated financial statements of the ultimate parent company, Seton House Group Limited.

The future rate of contributions applicable to the scheme is 140%.

The pension costs in relation to the defined contribution pension scheme have been assessed as the contributions payable in respect of the members concerned.

The company's defined contribution pension cost included within operating profit for the year was £399,000 (2006 £380,000).

Notes *(continued)*

22 Related party transactions

As a wholly owned subsidiary, the company is exempt from disclosure of transactions with group undertakings under Financial Reporting Standard 8

23 Ultimate parent company

The company's immediate parent company is PAIG German Holdings Limited and the ultimate parent company is PAIG Investments Limited. The largest group in which the results of the company are consolidated is that headed by Seton House Group Limited, incorporated in Great Britain.

The consolidated financial statements of Seton House Group Limited are available to the public and may be obtained from The Secretary, Watchmoor Point, Watchmoor Road, Camberley, Surrey GU15 3EX.