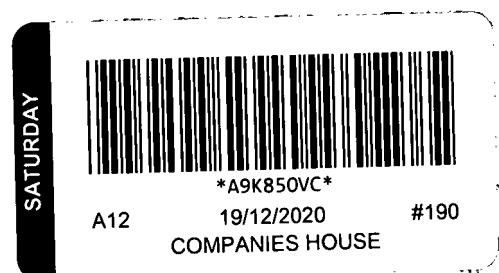


# **Safran Seats GB Limited**

**Registered No. 278391**

**Report and Financial Statements**

31 December 2019



## Safran Seats GB Limited

### **Directors**

V Mascré

V Foy

### **Auditors**

Mazars

90 Victoria Street

Bristol

BS1 6DP

### **Bankers**

Barclays Bank PLC

15 Colmore Row

Birmingham B3 2WN

### **Solicitors**

Pinsent Mason LLP

3 Colmore Circus

Birmingham B4 6BH

Pinsent Mason LLP

1 Park Row

Leeds LS1 5AB

### **Registered Office**

Kestrel House

Lakeside

Llantarnam Industrial Park

Cwmbran

Wales NP44 3HQ

## Contents Page

Strategic Report	Page 3 – 7
Directors Report	Page 8 – 9
Statement of Directors Responsibilities	Page 10
Independent Auditors Report	Page 11 – 14
Statement of Comprehensive Income	Page 15
Statement of Financial Position	Page 16
Statement of Changes in Equity	Page 17
Notes to the Financial Statements	Page 18 – 39

## Strategic report

The directors present their strategic report and the financial statements for the year ended 31 December 2019.

### Principal activity and review of the business

The company's principal activity is the design and manufacture of first, business class and premium economy seating and aircraft interior furniture supported by an established aftermarket business (refurbishment, retrofit and spares). Our customer base includes the world's leading international airlines and the major commercial aircraft manufacturers.

The company had a satisfactory trading period in the year ending 31 December 2019 generating revenue of £300m (2018 – £275m) and profit after tax of £8.2m (2018 – £59m loss). During the 2019 reporting period, the profit and loss impact of provisions for liability and charges was £5.7m (2018 - £51.3m) leaving closing provision for liabilities at £23m (2018 - £46.3m). Net liabilities are £66.1m (2018 – net liabilities of £74.3m).

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

- Sales and marketing: new and replacement business is being won regularly; new markets have been developed in line with the company's strategy; with strong customer relationships key to the company's success. The improved commercial practices are now enabling the company to successfully bid for orders at appropriate margin levels.
- People: investment has been made in first tier management and the strengthening of second tier management. The company is committed to developing talent and is benefitting from leadership and training programmes provided internally by Safran University and through local training providers. These programmes will ensure we develop our talent today and leaders for the future.
- Processes: new product introduction processes continue to be improved through the adoption of the Safran PROMPT Program Management Referential.
- Research and Development: A key part of our future success is continued investments in R&D in both new product lines and technology bricks targeted for existing markets. The introduction of these new areas of technology seek to strengthen the product portfolio and offering of Safran Seats GB Limited.
- Production efficiencies have been gained and new initiatives for process and efficiency improvements continue to be developed and implemented. The company monitors and continues to gain efficiencies through investment in lean training and Hoshin-Kanri activities.
- Competitive advantage: the company operates in a competitive market and seeks to differentiate from the competition through a strong customer partnership, innovative products and robust design and engineering capability. As a result, the company is well positioned in terms of sustainable long term growth.

### Future developments

The company is continuing to take the necessary actions to ensure that it remains well-placed to continue strong growth and financial performance in the aerospace market. This includes modernisation of facilities and I.T. as well as leveraging the resources of the Safran Group.

The order book of the company remains strong, with orders in excess of £243 million (of which £44 million is due for recognition of engineering revenues in line with contractual performance obligations).

### Key Performance Indicators

The key financial and other performance indicators during the year of accounts were as follows:

	2019	2018
	£000's	£000's
Turnover	299,771	274,968
Operating Profit / (Loss)	6,695	(78,023)
Profit / (Loss) after tax	8,235	(58,659)
Average number of employees	1,615	1,784

### Principal risks and uncertainties

- Foreign currency exchange: the company monitors closely short, medium and long term exchange rates and applies the group's policy of hedging against currency fluctuations relating to transactions with an underlying business requirement. All hedging is carried out by the ultimate parent undertaking.
- Raw material quality, availability and prices: the company works closely with key suppliers to ensure that raw materials are of the quality required, that suppliers have sufficient access to our demand schedule to ensure on time delivery, as well as driving cost initiatives including negotiating forward purchase contract terms where appropriate and e-auctions.
- Customer relationships: the company maintains strong relationships with each of its key customers and has established credit control parameters. Appropriate credit terms are agreed with all customers and these are closely managed. Entry into service of our products is of upmost importance to both Safran Seats UK, the Group and our customers and the company will work closely with our customers to ensure our entry into service and at the right level of quality meets their expectations at all times.
- Contract risk: the company conducts significant elements of its business under customer contracts which include performance, delivery and other aerospace specific conditions. The key to the management of contract risk is robust procedures, supported by effective legal and operational management. Rigorous review processes are in place across the company to ensure that financial, qualitative and quantitative parameters are met.
- The effect of legislation or other regulatory activities: the company monitors forthcoming and current legislation regularly.
- New product, project and technology risk: the company develops and introduces new products in support of its existing and new programme activities. All new product development involves business risk both in terms of possible abortive expenditure and reputation. Such risks are managed to reduce the impact using a risk management process and tool, if any, on the company.
- Political risk: The full business implications of Brexit remain uncertain, any risks arising will be a key focus area for management in the next financial year. Currency fluctuations, trading arrangements, employment issues and other risks that become apparent over time will be monitored by management and mitigation put in place where possible.
- Market risk: All appropriate measures are taken to protect the company's intellectual property rights and to minimise the risk of infringement of third party rights.
- COVID-19: The company is monitoring the risks and uncertainties surrounding COVID-19. The full business implications of COVID-19 remain uncertain, however, steps have been taken during 2020 to protect the future of the company which is detailed in the Directors Report under Post Balance Sheet Events on page 9.

## Section 172(1) Statement

This report sets out how the Directors comply with the requirements of Section 172 of the 2006 Companies Act 2006 and how these requirements have impacted decision making throughout 2019.

The statement focuses on matters of strategic importance to Safran Seats GB Ltd, and the level of information disclosed is consistent with the size and the complexity of the business.

### **Duty to promote the success of the company**

When making decisions, each Director ensures that he/she acts in the way he/she considers, in good faith, would most likely promote the Company's success for the benefit of its shareholders as a whole, and in doing so have regard (among other matters) to:

#### **S172(1) (a) "The likely consequences of any decision in the long term"**

The Directors annually approve the medium term plan covering the next 4 years and monitors its implementation using detailed reports on operating and financial performance. This includes monitoring progress against key strategic initiatives (both short term and long term) as well as considering the allocation of capital to support the medium term plan.

The medium term plan is shared with and approved by Safran Seats at Safran Group level, with the Group continuing to provide funding to support the delivery of the plan which is monitored through detailed reporting and reviews.

In approving the strategy, the Directors consider external factors such as passenger behaviour, evolving product and customer requirements, competitor behaviour, the performance of the air travel industry, as well as the evolving economic and political conditions.

#### **S172(1) (b) "The interests of the company's employees"**

The Directors understand the importance of the company's employees to the long term success of the business.

The health and safety of all employees (and other stakeholders) remains the main priority and the Directors regularly review the performance in this area whilst a cross-business Health, Safety & Environment (HS&E) working committee meets and reports out on a weekly basis. This includes full engagement of the Employee Consultative Committee. The mental wellbeing of employees is supported by a network of representatives throughout the business identified as Mental Health First Aiders.

The Directors have continued to invest in training and development of its employees utilising training programmes provided internally by Safran University and through local training providers and through its' own Training School, developed in the year to deliver in house training.

The company regularly communicates to its employees through presentations, internal company wide emails and newsletters. Communication and dialogue between the Directors and the wider workforce is further supported by an Employee Consultative Committee which meets on a monthly basis and provides a structured forum for the discussion of work related matters.

Pay and benefits are monitored against the prevailing market conditions to ensure that rewards are both fair to employees and competitive.

## Section 172(1) Statement (continued)

### **S172(1) (c) "The need to foster the company's business relationships with suppliers, customers and others"**

The Directors regularly review how the company maintains positive relationships with all of its stakeholders, including suppliers, customers and others.

The Directors seek to maintain strong relationships with its customers and recognise the importance of ensuring that the customer's expectations regarding entry into service requirements are met at all times. A robust programme milestone delivery process is adopted with key performance indicators critical to customer and air framer, reviewed on at least a monthly basis. This coupled with regular feedback, both formal by way of customer surveys, and less formal by way of customer meetings, give insight in to the level of customer satisfaction and actions required.

The company works closely with its suppliers (both external and internal to Safran), to ensure that purchased materials are of the quality required and meet the required lead-time. The company adopts a standard governance process which assesses the customer demand and how this translates in to supplier demand. This is communicated to our suppliers to enable them to plan effectively within their businesses. Safran Seats GB Ltd works closely with suppliers to ensure each respective performance is at the required level to meet jointly our customer requirements and that any identified gaps have clear action plans and adequate resources. Where appropriate and necessary, the company exercises a dual sourcing policy.

The Directors are accountable and responsible for all regulatory requirements to include those associated with the air worthiness of our products and services. The company has a Quality Management System in place which is periodically audited to ensure compliance with Civil Aviation Authority requirements and those which meet the standards of AS9100. The respective teams have open dialogue between audits.

As a key player in the aerospace and aviation sector and to promote its' wider contribution to the economies of Wales and the UK as a whole, the Directors and employees participate in forums led by Government and trade bodies and where relevant are engaged through Safran UK, in sector working groups and steering committees.

### **S172(1) (d) "The impact of the company's operations on the community and the environment"**

In their decision making, the Directors understand the need to have regard to the impact of the company's operations on the community and environment. The aim is to manage its activities such that any adverse effects are minimised on the community and environment.

A policy statement is in place which reaffirms the company's commitment to environmental, social and economic sustainability. This is both promoted by the Directors within the organisation to raise and maintain awareness, and considered as part of the decision making process.

Visibility and consideration of the subject matter is maintained through the cross-business HS&E working committee that meets and reports out on a weekly basis.

The company works with local schools, colleges and university to promote a career in aerospace and aviation. It provides opportunities to students to see first-hand its' operations and activities.

### **S172(1) (e) "The desirability of the company maintaining a reputation for high standards of business conduct"**

The Directors take the reputation of the company seriously which is not limited to only operational and financial performance.

The company has adopted the Safran leadership model which defines a set of competencies and behaviours, including leading by example. Alongside this the Directors understand the importance of their role in promoting standards of behaviour that are aligned with the Safran Ethical Guidelines and the Safran Code of Conduct for detecting and preventing acts of corruption.

## Section 172(1) Statement (continued)

### S172(1) (f) "The need to act fairly as between shareholders of the company"

The directors seek to balance the needs of all stakeholders and does this through an annual process which results in clear objectives. Performance against these objectives is measured and reported monthly, alongside relevant actions and deliverables. In quarter 4 of the year under review, the company has set out these objectives in the form of a Balance Business Scorecard.

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on stakeholders. In doing so, our Directors act fairly as between the Company's shareholders but are not required to balance the Company's interest with those of other stakeholders. This can sometimes mean that certain stakeholder interests may not be fully aligned but the Directors recognise the importance of ensuring such stakeholders understand the basis of decisions where practicable.

On behalf of the Board



Director  
Victoria Foy

Date: 16 December 2020

Registered No. 278391

## Directors' report

The Directors present their report and financial statements for the year ended 31 December 2019.

The company's business activities, together with the factors likely to affect its financial position, financial risk management objectives, and its exposure to risk are described in the Strategic Report on pages 3 to 7 in accordance to s414C(11).

### Results and dividends

The profit for the year after taxation amounted to £8,535,000 (2018– loss of £58,659,000). The directors do not recommend a final dividend (2018 – £nil).

### Directors

The directors who served the company during the year and appointed subsequently were as follows:

N McManus (resigned 15 May 2019)

E Manzon (resigned 10<sup>th</sup> October 2020)

V Mascré

C Thomasson (appointed 31 January 2019, resigned 28 January 2020)

V Foy (appointed 2 October 2019)

### Health and safety and the environment

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

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

### Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £0 (2018 – £6,500).

### Employee involvement

Management of the company are responsible for:

- the development of employee involvement and communication policies which are appropriate to their own particular needs and in line with accepted practices;
- 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;
- selection and promotion being based on the suitability of an individual's skills, aptitude and experience for the job; and
- 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.

### Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate. The company has a cash management agreement with Safran SA under which the company has access to funds from the group as the need arises.

The directors recognise the reported net liability position and are taking actions to improve the financial position and the longer term sustainability of the business. These actions include developing the senior management team and stronger governance of the entity. To this end, a clear strategy and roadmap has been developed and improvement activities launched. With a strong commitment to meeting our customer delivery requirements, supported by strong governance of processes and improvement projects, it is anticipated that over the duration of the medium term plan, the business will reach sustainable profitability. The medium term plan is shared with and approved by Safran Seats and with Safran Group who continue to fund the business as a going concern and have provided the necessary commitment to do so to the directors.

### Post Balance Sheet Events – COVID-19

The effects of COVID-19 are expected to be deep and sustained in the airline industry. Industry specialists, plus intelligence from both the air-framers and airlines, suggest anything between 2-5 years for full recovery to 2019 air travel levels. The majority of our customers have rescheduled new programme development or in-production programmes. One programme has been cancelled. Management estimates at least a 50% reduction in turnover for 2020 compared with 2019 as a result of COVID-19. The loss of sales is expected to impact 2020 and as a result of COVID-19 this could bring some uncertainty in 2021/2022 as the airlines recover. With new developments being delivered in to the market for committed programmes, 2023 and 2024 show stronger sales growth. In light of significantly lower air-travel throughout the pandemic and on-going government border restrictions, our customers are seeking to extend payment terms. This has given rise to both lower sales revenue and lower cash receipts and is significantly impacting the cash liquidity of the business. This has necessitated further access to funds from Safran SA. The restrictions in global mobility have seen an increase in freight costs and some delays in the supply chain. Whilst this has resulted in some cost increases, in the case of linefit and retrofit, the business has delivered programmes consistently on-time to our customer's needs. The supply chain remains challenged due to COVID-19 impacts and risks associated with that are being managed.

The impact of the COVID-19 crisis and the reduction in production volume as a direct result, has led management to take the difficult decision to restructure the business during 2020. This has included the closure of the facility in Camberley and redundancies from within the facilities in South Wales. During 2020, the company has utilised the Government Coronavirus Job Retention Scheme (CJRS).

### Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditors

Mazars is to be reappointed as the Company's auditors under section 487(2) of the Companies Act 2006.

On behalf of the Board



Victoria Foy

Date: 16<sup>th</sup> December 2020

## Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS101. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Independent auditor's report to the members of Safran Seats GB Limited**

## **Opinion**

We have audited the financial statements of Safran Seats GB Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of total comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Emphasis of matter – Impact of the outbreak of COVID-19 on the financial statements**

In forming our opinion on the company financial statements, which is not modified, we draw your attention to the directors' view on the impact of the COVID-19 as disclosed on page 9, and the consideration in the going concern basis of preparation on page 9 and non-adjusting post balance sheet events on page 39.

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The full impact following the recent emergence of the COVID-19 is still unknown. It is therefore not currently possible to evaluate all the potential implications to the company and group's trade, customers, suppliers and the wider economy.

## **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

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

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

## **Matters on which we are required to report by exception**

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

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

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

## **Responsibilities of Directors**

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Use of the audit report**

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

A handwritten signature in black ink, appearing to be 'LB', followed by a horizontal line.

Louis Burns (Senior Statutory Auditor) for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

45 Church St, Birmingham B3 2RT

Date: 17 December 2020

## Statement of comprehensive income

for the year ended 31 December 2019

		Year ended 31 December 2019 £'000	16 month Period ended 31 December 2018 £'000
	Notes		
Revenue from contracts with customers	4	299,771	274,968
Cost of sales		(254,107)	(312,180)
<b>Gross profit</b>		<b>45,664</b>	<b>(37,212)</b>
Distribution costs		(9,916)	(7,426)
Administrative expenses		(29,053)	(33,385)
<b>Operating profit / (loss)</b>	5	<b>6,695</b>	<b>(78,023)</b>
Interest receivable and similar income	8	-	36
Interest payable and similar charges	9	(869)	(1,669)
<b>Profit / (Loss) on ordinary activities before taxation</b>		<b>5,826</b>	<b>(79,656)</b>
Tax	10	2,409	20,997
<b>Profit / (Loss) for the financial year</b>		<b>8,235</b>	<b>(58,659)</b>
<b>Other comprehensive income:</b>			
Other comprehensive income		-	-
<b>Total comprehensive profit / (loss) for the year</b>		<b>8,235</b>	<b>(58,659)</b>

All amounts relate to continuing activities.

## Statement of financial position

at 31 December 2019

	Notes	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Intangible assets	11	13,048	8,689
Tangible assets	12	6,396	6,376
Right of Use assets	13	12,661	-
		<u>32,105</u>	<u>15,065</u>
<b>Current assets</b>			
Stocks	14	72,651	74,643
Debtors	15	58,492	54,585
Cash at bank and in hand		0	3
		<u>131,143</u>	<u>129,231</u>
<b>Creditors: Current creditors falling due within one year</b>	16	<u>(162,293)</u>	<u>(151,130)</u>
<b>Net current (liabilities)</b>		<u>(31,150)</u>	<u>(21,899)</u>
<b>Total assets/(liabilities) less current (liabilities)</b>		955	(6,834)
<b>Creditors: Non-current creditors falling due greater than one year</b>	17	<u>(43,948)</u>	<u>(21,235)</u>
<b>Provisions for liabilities</b>	18	<u>(23,097)</u>	<u>(46,256)</u>
<b>Net liabilities</b>		<u>(66,090)</u>	<u>(74,325)</u>
<b>Capital and reserves</b>			
Called up share capital	19	25,864	25,864
Profit and loss account		<u>(91,954)</u>	<u>(100,189)</u>
<b>Shareholders' deficit</b>		<u>(66,090)</u>	<u>(74,325)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16<sup>th</sup> December 2020 by:



Director

Victoria Foy

## Statement of changes in equity

for the year ended 31 December 2019

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 September 2017	25,864	(41,530)	(15,666)
Loss for the financial year	-	(58,659)	(58,659)
<b>At 31 December 2018</b>	<b>25,864</b>	<b>(100,189)</b>	<b>(74,325)</b>
Profit for the financial year	-	8,235	8,235
<b>At 31 December 2019</b>	<b>25,864</b>	<b>(91,954)</b>	<b>(66,090)</b>

## Notes to the financial statements

at 31 December 2019

### 1. Corporate information

The financial statements of Safran Seats GB Limited, (the "Company") for the year ended 31 December 2019 were authorised for issue by the board of directors on 16<sup>th</sup> December 2020 and the balance sheet was signed on the board's behalf by Victoria Foy. The Company is a private company limited by shares. The Company address is Kestrel House, Lakeside, Llantarnam Industrial Park, Cwmbran, Wales, NP44 3HQ. It is incorporated and domiciled in the United Kingdom.

The company's principal activity is the design and manufacture of first, business class and premium economy seating and aircraft interior furniture supported by an established aftermarket business (refurbishment, retrofit and spares).

### 2. Accounting policies

#### **2.1 Authorisation of financial statements and statement of compliance with FRS 101**

These financial statements were prepared in accordance with FRS 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The company has used a true and fair view override in respect of the non-amortisation of goodwill (note 11).

The Company's financial statements are presented in Sterling which is also the company's functional currency, and all values are rounded to the nearest thousand (£000) except where otherwise stated.

The company is a wholly owned subsidiary of the Safran S.A. Group, the group financial statements of which are publicly available. As such the company has taken advantage of the exemption under s400 of the Companies Act 2006 not to present group accounts.

The principal accounting policies adopted by the Company are set out below.

#### **Basis of preparation**

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019. The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because the share based payment arrangement concerns the instruments of another group entity;
- (b) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- (c) the requirements of IFRS 7 Financial Instruments: Disclosures,
- (d) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement,
- (e) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - (iii) paragraph 118(e) of IAS 38 Intangible Assets;
- (f) the requirements of the following paragraphs of IAS 1 Presentation of Financial Statements:
  - 10(d) and 111 – a statement of cash flows for the period;
  - 10(f) – a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements;

## Notes to the financial statements

at 31 December 2019

### 2.1 Accounting policies (continued)

#### *Basis of preparation (continued)*

16 – a statement of compliance with IFRS, which is not applicable since we are adopting FRS101 rather than following IFRS in full;

38A-D and 40A-D – a third statement of financial position, profit and loss and other comprehensive income, statement of changes in equity and other additional comparative information;

134-136 – disclosure of management of capital;

- (g) the requirements of IAS 7 Statement of Cash Flows;
- (h) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (i) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (j) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- (k) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c) 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

#### **Going concern**

The financial statements are prepared on a going concern basis which the directors believe to be appropriate. The company has a cash management agreement with Safran SA under which the company has access to funds from the group as the need arises.

The directors recognise the reported net liability position and are taking actions to improve the financial position and the longer term sustainability of the business. As outlined earlier, these actions include developing the senior management team and stronger governance of the entity and its performance. To this end, a clear strategy and roadmap has been developed and improvement activities launched. With a strong commitment to meeting our customer delivery requirements, supported by strong governance of processes and improvement projects, it is anticipated that the over the duration of the medium term plan, the business will become profitable. The medium term plan is shared with and approved by Safran Seats at Group level, and with Safran Group who continue to fund the business as a going concern and have provided the necessary commitment to do so to the directors.

#### **Research and development**

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development of each particular stage is complete and goes into production whilst improvements to the platform continue to be capitalised. Development expenditure is amortised over the period of expected future benefit on a per PAX (seat) basis. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

## Notes to the financial statements

at 31 December 2019

### 2.1 Accounting policies (continued)

#### *Research and Development (continued)*

Research and development costs recharged onto customers are treated as contract costs and are not capitalised.

#### *Intangible fixed assets*

##### **Goodwill**

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Changes in the fair value of contingent or deferred consideration are recognised against the asset within the measurement period. After this period changes in the fair value of such consideration is recognised in the profit and loss account.

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. The company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability, nor can the pattern in which goodwill diminishes be known.

Goodwill is tested for impairment annually at each year end and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

##### **Software:**

Amortisation for computer software is calculated on cost on a straight-line basis to write off the relevant assets over their expected useful lives between 1 and 10 years.

#### *Tangible fixed assets*

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	–	25%
Computer hardware	–	20-33.3%
Production tooling	–	33.3%

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

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

## Notes to the financial statements

at 31 December 2019

### 2.1 Accounting policies (continued)

#### *Revenue from contracts with customers*

The Company recognises revenue as follows:

##### *Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each arrangement with a customer, the Company: identifies whether the arrangement meets the definition of a contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each performance obligation to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

##### *Sales of Engineering Services and Original Equipment*

Contracts for bundled sales of engineering services and original equipment are comprised of two performance obligations because the promises to engineer airworthy equipment and to transfer the equipment are capable of being distinct and separately identifiable. Accordingly, the Company allocates the transaction price based on the relative stand-alone selling prices of the engineering service and original equipment.

The Company recognises revenue from engineering services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Company. Revenue from the sale of the original equipment are recognised at a point in time, generally upon delivery of the equipment.

Engineering services (Development) work may be carried out prior to production and be wholly or partly financed by the customer. Development work financed by customers is generally inseparable from serial production and does not therefore represent a separate performance obligation. Accordingly, customer financed development work will be recognised within contract liabilities in the balance sheet when the funding is received, and subsequently taken to revenue in full as and when the related products are delivered.

However, financed development work that represents a separate performance obligation is recognised in revenue upon completion of the performance obligation when control is transferred at a point in time.

##### *Contract costs:*

As a result of the revenue recognition policy, the costs incurred to deliver contracted engineering services which are part of a bundled contract, are now capitalised as a cost to fulfil a contract and reported in stocks (note 14) and amortized in line with the revenue recognition for the supply of the service.

##### *Sales of Aftermarket Parts*

Revenue from sales of aftermarket parts is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The normal credit terms are 30 to 90 days upon delivery.

No variable consideration has been identified in the sales of aftermarket parts.

##### *Aftermarket Services*

Revenue from sales of aftermarket services (on-wing technicians performing maintenance on customer product once the aircraft has landed at an airport) are recognised at the point in time when the benefit is transferred to the customer, generally when the service has been performed. The normal credit terms are 30 to 90 days upon delivery.

No variable consideration has been identified in the sales of aftermarket services.

## Notes to the financial statements

at 31 December 2019

### 2.1 Accounting policies (continued)

#### *Revenue from contracts with customers*

##### *Contract balances*

##### *i) Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

##### *ii) Trade receivables*

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section Financial instruments.

##### *iii) Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

#### **Stocks**

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.

#### **Taxation**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exception:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

## Notes to the financial statements

at 31 December 2019

### 2.1 Accounting policies (continued)

#### *Taxation (continued)*

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

#### *Foreign currencies*

The Company's functional currency and presentation currency is pounds sterling. Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### *Leasing and hire purchase commitments*

Assets held under leases which meet the group thresholds for IFRS16 are capitalised as Right of Use assets and amortised 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 non-capitalised leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

#### *Government Grants*

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Government grants in respect of capital expenditure are credited to a deferred income account and are released as income by equal amounts over the expected useful lives of the relevant assets.

#### *Financial instruments*

The Company is applying the requirements of IFRS 9 to all financial instruments. Financial assets and financial liabilities are recognised when the party become party to the contractual provisions of the instrument.

##### *i) Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

## Notes to the financial statements

at 31 December 2019

### 2.1 Accounting policies (continued)

#### *Financial instruments (continued)*

##### *ii) Financial assets*

###### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Company's financial assets include trade and other receivables.

###### *Subsequent measurement*

###### *Financial assets at amortised cost*

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to expected credit loss (ECL). Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

###### *Derecognition of financial assets*

A financial asset is derecognised when

- The rights to receive cash flows from the asset have expired or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

###### *Impairment of financial assets*

For trade receivables that are expected to have a maturity of one year or less, the Company has applied the practical expedient and followed the simplified approach in calculating Expected Credit Losses (ECLs). Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## Notes to the financial statements

at 31 December 2019

### 2.1 Accounting policies (continued)

#### *Financial instruments (continued)*

For trade receivables and amounts owed from group undertakings, expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the aging of the receivable. The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ('the lifetime expected credit losses'). Different provision rates and periods are used based on groupings of historic credit loss experience by product type, customer type and location.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### *iii) Financial liabilities*

##### *Initial recognition and measurement*

Financial liabilities are classified as financial liabilities at fair value through profit or loss, or as loans and borrowings. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings, including bank overdrafts, and derivative financial instruments.

##### *Subsequent measurement*

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss: Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Loans and borrowings: After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

##### *Derecognition of financial liabilities*

A liability is generally derecognised when the contract that gives rise to it is extinguished i.e. settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

#### *iii) Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle liabilities simultaneously.

#### *Pensions*

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable. The assets of the scheme are held separately in an independently administered fund.

## Notes to the financial statements

at 31 December 2019

### 2.1 Accounting policies (continued)

#### *Share-based payments*

The Safran S.A. Group has committed to awarding Safran Seats stock option plans to certain employees and Executive Board members.

The fair value of services rendered by employees as consideration for the options granted is expensed and recorded according to the services at the time they are rendered. This expense is measured on the basis of actuarial calculations built on behavioural assumptions derived from past observations. The cost is spread over the benefit vesting period. The total amount of the expense to be recognized is measured by reference to the fair value of the options granted, using the binomial model.

During the year ended 31 December 2019, the remaining Safran Seats stock option plans were cancelled due to employees leaving the business.

#### *Onerous Contracts*

If the company has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the company recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e. the costs that the company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract which is the lower of the cost of fulfilling it and any compensation or penalties arising from the failure to fulfil it.

#### *Warranty provisions*

Provision is made for the estimated liability of all products under warranty and is treated as a charge to cost of goods sold and not a reduction in revenue.

### 2.2 Changes in accounting policies and disclosures

The Company has adopted the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

#### *Adoption of IFRS 16 "Leases"*

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The company adopted IFRS 16 on 1 January 2019 and the required operating leases recognised on the Balance Sheet. Previously, costs associated with operating leases were expensed through the Income Statement as incurred.

## Notes to the financial statements

at 31 December 2019

### 2.2 Changes in accounting policies and disclosures (continued)

#### Adoption of IFRS 16 "Leases" (continued)

The policy for leases eligible for treatment under IFRS16 has been set at a Safran Group level. The policy has been set for all property assets and other leased assets for which short-term and low-value leases have been excluded. Where a lease does not meet these criteria the company recognises the lease payments as an operating expense on a straight line basis over the term of the lease. These are presented in the Distribution Costs or Administrative Expenses in the Income Statement.

At the commencement date of a lease, the company will recognise a lease liability and a Right of Use asset representing the right to use the underlying asset during the lease term. During the term of the lease, the lease liability will be remeasured upon the occurrence of certain events (e.g. a change in lease term, a change in future lease payments). The remeasurement will also amend the right of use asset. The extension and termination options of each lease are factored into the calculations for the lease liability and Right of Use asset based on the current view of management.

On 1 January 2019, the Company recognised total lease liabilities of £8.9m for leases previously classified as operating leases and a corresponding right-of-use asset of £8.9m.

	£'000
Total Operating Lease commitment as at 1 Jan 2019	10,213
Short-Term & Low Value Leases not recognised as Right of Use Assets	(810)
Leases Liabilities for Right of Use Assets as at 1 Jan 2019	9,403
Discounting	(460)
<b>IFRS16 Lease Liability Recognised as at 1 Jan 2019</b>	<b>8,943</b>

### 3. Significant Accounting Judgements, estimates and assumptions

#### Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

- **Liquidated damages** - Provision has been made for late delivery penalties to the extent that they are contractual and have been based on actual delivery dates compared to contracted dates. As at 31 December 2019, the carrying amount for the provision for liquidated damages was £5,243,000 (31 December 2018: £6,704,000) (Note 18).
- **In-Service Issues** - Provision has been made for known in-service issues with seats supplied to United Airlines and based on an assessment of solving these issues as at 31 December 2019. As at 31 December 2019, the carrying amount for the provision for In-Service issues was £9,784,000 (31 December 2018: £11,481,000) (Note 18).
- **Development Cost** - The business has capitalised costs for product development costs. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. The development costs are deemed to start their amortisation when the development of each particular stage is complete and ready to go into production whilst improvements to the platform continue to be capitalised. Development expenditure is amortised over the period of expected future benefit on a per PAX basis. As at 31 December 2019, the carrying amount of capitalised development cost was £9,814,000 (31 December 2018: £5,608,000) (Note 11)

## Notes to the financial statements

at 31 December 2019

### 3. Significant Accounting Judgements, estimates and assumptions (continued)

#### *Judgements and key sources of estimation uncertainty (continued)*

- **Impairment of non-financial assets** - Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Company. No impairment has been recognised this year as a result of the DCFs prepared.
- **Deferred taxation** - Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The Company has recognised £64.4m (31 December 2018: £76.8m) of tax losses carried forward which it expects to be able to offset against future taxable profits or through group relief. The Company has determined that it is able to recognise all deferred tax assets through a mixture of future profits calculated through the medium term planning process and utilisation across UK group companies through group relief. As at 31 December 2018, £15.4m were deemed as not recognisable (note 10c).

## Notes to the financial statements

at 31 December 2019

### 4. Revenue from Contracts with customers

Set out below is the disaggregation of the company's revenue from contracts with customers:

	Year ended 31 December 2019 £'000	16 month period ended 31 December 2018 £'000
<b>Type of goods or service</b>		
Sales of Engineering Services and Original Equipment	238,554	197,565
Sales of Aftermarket Parts	53,371	76,795
Aftermarket Services	7,846	608
<b>Total Revenue from Contracts with Customers</b>	<b>299,771</b>	<b>274,968</b>
<b>Geographical markets</b>		
United Kingdom	10,671	35,578
Europe	20,045	6,738
United States of America	171,490	128,408
Rest of the world	97,565	104,244
<b>Total Revenue from Contracts with Customers</b>	<b>299,771</b>	<b>274,968</b>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	264,940	247,476
Aftermarket Services transferred at a point in time	7,845	608
Engineering Services transferred over time	26,986	26,884
<b>Total Revenue from Contracts with Customers</b>	<b>299,771</b>	<b>274,968</b>

If the services rendered by the company exceed the payment, a contract asset is recognised, if the payments exceed the services rendered a contract liability is recognised.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

		Year ended 31 December 2019 £'000	16 month period ended 31 December 2018 £'000
	Note		
Receivables, which are included in trade debtors	15	313	-
Contract assets	14	27,391	39,527
Contract liabilities – less than one year	16	11,002	21,478
Contract liabilities – greater than one year	17	33,136	21,235

The contract assets relate to services rendered. The cost of these services rendered will be recognised over time in accordance with sales of original equipment.

## Notes to the financial statements

at 31 December 2019

### 4. Revenue from Contracts with customers (continued)

The contract liabilities relate to payments received from customers for services rendered and for which revenue is recognised over time in accordance with sales of original equipment. (Note 17 provides analysis of ageing).

The amount of £23,336k included in contract liabilities as at 31 December 2018 has been recognised as revenue in 2019 (2018: £22,539k).

### 5. Operating Profit / Loss

This is stated after charging/(crediting):

	Year ended 31 December 2019 £'000	16 month period ended 31 December 2018 £'000
Auditors' remuneration:		
Audit of these financial statements	142	184
Non-audit services	—	—
Depreciation	1,707	2,475
Amortisation - Intangible assets	921	751
- Right of Use assets	1,712	
Short-term and low value leases - Plant and machinery	132	178
- Land and buildings	198	2,494
Interest incurred on lease liabilities	135	-
Net foreign currency exchange differences	(660)	(8,013)
Cost of stocks recognised as an expense (included in cost of sales)	217,566	174,701
Including: write-down of stocks to net realisable value	5,212	19,987
Research and development expenditure (including customer-funded work)	34,588	24,644

## Notes to the financial statements

at 31 December 2019

### 6. Directors' remuneration

	Year ended 31 December 2019 £'000	16 month period ended 31 December 2018 £'000
Aggregate remuneration	697	368
Pension costs	7	10
Total costs	<u>705</u>	<u>378</u>
Number of directors who exercised share options	nil	nil

Remuneration payable to the highest paid director was as follows:

	Year ended 31 December 2019 £'000	16 month period ended 31 December 2018 £'000
Aggregate remuneration	<u>464</u>	<u>368</u>

There are no retirement benefits accruing to the directors (2018 – £nil) under the company's defined contribution scheme.

The highest paid Director was compensated £286,000 for loss of office in 2019. The highest paid director did not exercise share options during the year.

### 7. Staff costs

	Year ended 31 December 2019 £'000	16 month period ended 31 December 2018 £'000
Wages and salaries	47,226	62,211
Social security costs	4,652	6,303
Pension costs (note 22)	2,594	3,014
	<u>54,472</u>	<u>71,528</u>

The average monthly number of employees during the year was made up as follows:

	Year ended 31 December 2019 No.	16 month period ended 31 December 2018 No.
Production	1,422	1,557
Sales and distribution	58	68
Administration	135	159
	<u>1,615</u>	<u>1,784</u>

## Notes to the financial statements

at 31 December 2019

### 8. Interest receivable and similar income

	Year ended 31 December 2019 £'000	16 month period ended 31 December 2018 £'000
Interest receivable from group companies	-	36

### 9. Interest payable and similar charges

	Year ended 31 December 2019 £'000	16 month period ended 31 December 2018 £'000
Interest paid to group companies	869	1,669

### 10. Tax

(a) Tax on profit/(loss) on ordinary activities

The tax credit is made up as follows:

	Year ended 31 December 2019 £'000	16 month period ended 31 December 2018 £'000
<b>Current tax:</b>		
UK corporation tax on the profit / (loss) for the year	-	-
Group relief receivable	(272)	(11,862)
Adjustments in respect of prior years	(324)	39
Total current tax	(596)	(11,823)
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(2,451)	(9,117)
Adjustments in respect of prior years	638	(57)
Total deferred tax (note 10(c))	(1,813)	(9,174)
Income tax credit reported in the statement of comprehensive income	(2,409)	(20,997)

## Notes to the financial statements

at 31 December 2019

### 10. Tax (continued)

#### (b) Reconciliation of total tax charge

The difference between the total tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	Year ended 31 December 2019 £'000	16 month period ended 31 December 2018 £'000
<b>Profit / (Loss) before Taxation</b>	<b>5,826</b>	<b>(79,656)</b>
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2018:19%)	1,106	(15,135)
Effects of:		
Expenses not deductible for taxation	120	117
Income not taxable for taxation	(220)	-
R&D expenditure Credits	(397)	(321)
Deferred tax recognised	(3,239)	(6,008)
Adjustment to tax charge in respect of previous period	314	(18)
Change in tax rate on deferred tax	(93)	367
<b>Total tax credit for the year</b>	<b>(2,409)</b>	<b>(20,997)</b>

#### (c) Deferred tax

A deferred tax asset has been recognised in the year reflecting the group's confidence in its ability to generate future profit against which to offset tax losses as follows:

	2019 £'000	2018 £'000
At 1 January 2019	10,626	1,452
Credited to the profit and loss account	1,813	9,117
Adjustment in respect of prior year	-	57
<b>At 31 December 2019</b>	<b>12,439</b>	<b>10,626</b>

The elements of deferred taxation are as follows:

	2019 £'000	2018 £'000
Capital allowances in arrears of depreciation	794	1,218
Short term timing differences	68	64
Tax losses	11,577	9,344
<b>Deferred tax asset (note 15)</b>	<b>12,439</b>	<b>10,626</b>

#### Unrecognised deferred tax

There is no unrecognised deferred tax asset (2018: £2.9m) in respect of tax losses carried forward. The losses can be carried forward indefinitely.

## Notes to the financial statements

at 31 December 2019

### 10. Tax (continued)

#### (d) Factors that may affect future tax charges

On 11 March 2020, the Chancellor of the Exchequer presented the annual budget, which included a change to UK Corporation tax rates. The planned reduction to 17% from 1 April 2020 was cancelled and for years starting 1 April 2020 and 1 April 2021, the Corporation Tax rate would remain at 19%.

At the balance sheet date, the deferred tax assets and liabilities have been measured at the rate at which they are expected to reverse.

### 11. Intangible fixed assets

	Goodwill £'000	Software £'000	Development Costs £'000	Total £'000
Cost or valuation:				
At 1 January 2019	1,610	4,476	5,608	11,694
Additions	575	144	4,561	5,280
As at 31 December 2019	<b>2,185</b>	<b>4,620</b>	<b>10,169</b>	<b>16,974</b>
Amortisation:				
At 1 January 2019	-	3,005	-	3,005
Charge for the year	-	566	355	921
As at 31 December 2019	-	<b>3,571</b>	<b>355</b>	<b>3,926</b>
<b>Net book value:</b>				
<b>As at 31 December 2019</b>	<b>2,185</b>	<b>1,049</b>	<b>9,814</b>	<b>13,048</b>
At 1 January 2019	1,610	1,471	5,608	8,689

Goodwill relates to the trade and assets of Three Sixty Aerospace Limited purchased in 2013, initial consideration was £1.2 million with an additional £900,000 subject to meeting certain performance criteria payable in the future. There have been no indications of impairment over the goodwill in the current year.

Goodwill addition in year relates to the Safran Seats Services (3S) global organisation created during 2019. There have been no indications of impairment over the goodwill in the current year.

## Notes to the financial statements

at 31 December 2019

### 12. Tangible fixed assets

	Short leasehold property £'000	Plant and vehicles £'000	Total £'000
Cost or valuation:			
At 1 January 2019	6,645	16,638	23,283
Additions	-	1,727	1,727
Disposals	-	(88)	(88)
As at 31 December 2019	<b>6,645</b>	<b>18,277</b>	<b>24,922</b>
Depreciation:			
At 1 January 2019	4,943	11,964	16,907
Charge for the year	255	1,452	1,707
Disposals	-	(88)	(88)
As at 31 December 2019	<b>5,198</b>	<b>13,328</b>	<b>18,526</b>
<b>Net book value:</b>			
<b>As at 31 December 2019</b>	<b>1,447</b>	<b>4,949</b>	<b>6,396</b>
At 1 January 2019	1,702	4,674	6,376

### 13. Right of Use Assets

	Short leasehold property £'000	Total £'000
Cost or valuation:		
At 1 January 2019	-	-
IFRS 16 Transition Adjustment	8,943	8,943
Additions	5,431	5,431
Disposals	-	-
As at 31 December 2019	<b>14,374</b>	<b>14,374</b>
Amortisation:		
At 1 January 2019	-	-
Charge for the year	1,712	1,712
Disposals	-	-
As at 31 December 2019	<b>1,712</b>	<b>1,712</b>
<b>Net book value:</b>		
<b>As at 31 December 2019</b>	<b>12,661</b>	<b>12,661</b>
At 1 January 2019	-	-

## Notes to the financial statements

at 31 December 2019

### 14. Stocks

	2019	2018
	£'000	£'000
Contract costs	27,391	39,527
Raw materials and consumables	39,591	31,042
Work in progress	5,669	4,074
	<u>72,651</u>	<u>74,643</u>

### 15. Debtors

	2019	2018
	£'000	£'000
Trade debtors	17,551	27,309
Amounts owed from group undertakings	9,829	-
Other debtors	3,210	985
VAT and other taxes recoverable	2,258	1,285
Corporation tax debtor – group relief	10,457	11,862
Corporation tax debtor	888	711
Deferred tax asset (note 10(b))	12,439	10,626
Prepayments and accrued income	1,860	1,807
	<u>58,492</u>	<u>54,585</u>

### 16. Creditors: Current creditors falling due within one year

	2019	2018
	£'000	£'000
Trade creditors	32,180	29,144
Amounts owed to group undertakings	100,400	90,171
Other creditors	5,363	2,187
Contingent consideration	166	166
Accruals and deferred income	11,213	7,984
Contract Liabilities	11,002	21,478
Right of Use Liabilities	1,969	-
	<u>162,293</u>	<u>151,130</u>

Trade creditors are non-interest bearing and are normally settled within 60 days.

Included within deferred income is a £100k Asset Based Grant received from the Welsh Assembly Government in 2014. The grant income is released in line with the depreciation charge over 108 months – current balance £86k. Unfulfilled conditions are the retention of 30 high skilled engineering jobs that were secured by receiving the grant and maintaining the Henry Thomas House building for the use of the project until March 2019 (at which time the conditions were fulfilled).

## Notes to the financial statements

at 31 December 2019

### 17. Creditors: Non-current creditors falling greater than one year

	2019	2018
	£'000	£'000
<b>Contract Liabilities</b>		
Greater than one Year	5,575	10,686
In Two to Five Years	27,561	10,549
Greater than Five Years	-	-
<b>Contract Liabilities</b>	<b>33,136</b>	<b>21,235</b>

	2019	2018
	£'000	£'000
<b>Right of use asset Liabilities</b>		
Greater than one Year	1,900	-
In Two to Five Years	5,461	-
Greater than Five Years	3,452	-
<b>Right of use asset Liabilities</b>	<b>10,813</b>	<b>-</b>

Contractual undiscounted cashflows on lease liabilities are due as follows:

	2019
	£'000
Less than one Year	2,143
One to Five Years	7,774
Greater than Five Years	3,561
	<b>13,478</b>

### 18. Provisions for liabilities

	Warranty provision	Other provisions	Total
	£'000	£'000	£'000
At 1 January 2019	7,491	38,765	46,256
Profit and loss account	(6,509)	824	(5,685)
Utilised	(190)	(17,284)	(17,474)
At 31 December 2019	<b>792</b>	<b>22,305</b>	<b>23,097</b>

#### Other provisions

At 31 December 2019 other provisions comprise provisions for penalties (£5,243k), commitment letters (£593k), litigation and commercial costs (£2,443k), in-service issues (£9,784k), Boeing penalties (£4,190k) and dilapidation charges (£30k) which are expected to be utilised over the next 12 months.

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

## Notes to the financial statements

at 31 December 2019

### 19. Share capital and reserves

	No.	2019 £'000	No.	2018 £,000
Allotted, called up and fully paid				
Ordinary shares of £1 each	25,864,297	25,864	25,864,297	25,864

Retained Earnings reserve relates to the cumulative retained earnings and comprehensive income less amounts distributed to shareholders.

### 20. Capital commitments

Capital expenditure contracted but not provided for totalled £1,023,000 at 31 December 2019 (2018 – £71,000).

### 21. Share based payments

The ultimate parent, Safran SA Group, grants share options to certain senior employees of Safran Seats GB Limited, formerly Zodiac Seats UK Limited, and these generally vest over an eight-year period. The cost of these awards is determined using the fair value of common shares on the date of the grant and the associated expense is recognised over the vesting period. The market value of share options is determined based on the closing share price of the ultimate parent, Safran SA Group. The expense for the granting of share options in Safran Seats GB Limited, formerly Zodiac Seats UK Limited, during the year was £nil (2018: £nil).

The following table illustrates the number of, and movements in, share options during the year.

	2019 No.	2018 No.	2019 WAEP £'000	2018 WAEP £'000
Outstanding as at 1 January 2019	686	-	€107.47	-
Outstanding as at 1 September 2017	-	18,750	-	€27.38
Cancelled during the year	(686)	(16,250)	€107.47	€27.06
Outstanding as at 30 November 2018		2,500		€29.50
Conversion Zodiac to Safran at 1 December 2018		(1,814)		
Outstanding as at 31 December	-	686	-	€107.47

On the 1<sup>st</sup> December 2018, the Share Option Scheme transitioned from Zodiac to Safran with a dilution in the number of shares due to the higher Safran share price compared to Zodiac. As at 31 December 2019, there were no share options remaining in place.

The beneficiaries of stock option plans can opt for free shares instead of the stock options awarded, at the rate of one free share for every three stock options. Options not allotted in this way are cancelled.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2019 was Nil (2018 – 3.9 years).

### 22. Pensions

The company's defined contribution pension cost included within operating profit for the year was £2.6m (2018 – £3.0m). £ nil (2018 – Nil) remains unpaid at the year end.

### 23. Contingent liabilities

The company has a duty deferment guarantee of £300,000 (2018 – £300,000) in respect of HM Customs and Excise.

## Notes to the financial statements

at 31 December 2019

### 24. Related party transactions

The company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

### 25. Ultimate parent undertaking and controlling party

As at 31 December 2019, the company's immediate parent undertaking was Safran Seats GB Investment Limited, and the ultimate parent undertaking and controlling party was Safran SA. The largest group in which the results of the company are consolidated is that headed by Safran SA, incorporated in France. The group financial statements of Safran SA Group are available to the public and may be obtained at [www.safran-group.com](http://www.safran-group.com).

### 26. Subsequent events – COVID-19

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK. The company is treating this as a non-adjusting post balance sheet event and therefore the judgements and estimates disclosed in note 3 have not been updated to reflect the impact of this event.