

The Report and Financial Statements for Safran Seats GB Limited are being refiled as page numbers 25 to 39 were omitted from the Report and Financial Statements added to the filing history on 12 August 2022.

## **Safran Seats GB Limited**

**Registered No. 278391**

### **Report and Financial Statements**

**31 December 2021**

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COMPANIES HOUSE

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## **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

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Leeds LS1 5AB

### **Registered Office**

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## Strategic report

The directors present their strategic report and the financial statements for the year ended 31 December 2021.

### 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.

Due to the ongoing impact of COVID-19, the company has continued to have a challenging trading period in the year ending 31 December 2021 generating revenue of £126m (2020 – £122m) and loss after tax of £8.5m (2020 – £23.7m loss). During the 2021 reporting period, the profit and loss impact of provisions for liability and charges was £1.1m charge (2020 - £10.6m charge) leaving closing provision for liabilities at £11m (2020 - £18m). Net liabilities are £98.3m (2020 – net liabilities of £89.7m). The impact of COVID-19 is discussed in more detail in the Directors Report on page 9.

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

- **Sales and marketing:** the entire global aviation market took an enormous down turn in 2020 which continued in 2021 as a result of Covid-19 leading to the restrictions of nearly all flights. This resulted in a significant number of deferrals on customer programmes and firm orders, as well as a limited number of cancellations. This also significantly impacted aftermarket demand and revenues. Subsequently, the business has successfully renegotiated revised schedules, and negotiated financial compensation in the case of the one cancellation in 2021. The business has a number of development programmes on-going and targeted opportunities that will deliver a strong sales order book in the mid-term. The market is showing signs of restarting with an increase in the number of requests for quotations and pricing across original equipment for line-fit and retro-fit plus the aftermarket recovery. Strong customer relationships remain key to the company's success to capitalise on the recovery.
- **People:** the company is committed to developing talent and is benefitting from leadership and training programmes provided internally by Safran University and its own Training School. 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 and integration of the business processes into the One Safran 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** continue with new initiatives for process and efficiency improvements continuing 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 £141m (of which £48m 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:

	2021	2020
	£000's	£000's
Turnover	125,961	121,797
Operating (Loss)	(12,110)	(28,580)
(Loss) after tax	(8,537)	(23,700)
Average number of employees	862	1,162

### 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.
- **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 continues to monitor the on-going risks and uncertainties surrounding COVID-19. Steps were taken during 2020 and into 2021 to protect the future of the company, which are detailed in the Directors Report on page 9.

## Section 172(1) Statement

This report sets out how the Directors comply with the requirements of Section 172 of the Companies Act 2006 and how these requirements have impacted decision making throughout 2021.

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 Wellbeing Strategy, a dedicated committee and a network of representatives throughout the business identified and trained 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 its' own Training School, which has continued to be developed in the year to deliver in house training. During 2021, there has been an increased focus on learning and development opportunities for all leaders with the launch of leadership programme initially focused on senior leaders supported by a comprehensive programme of management training modules for anyone with line management responsibility.

The company regularly communicates to its employees through presentations, internal company wide emails, newsletters and recorded videos. 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.

The company is committed to gender equality, diversity and inclusion with activities to support development in this area including STEM partnerships with local schools/colleges and universities. It has signed the Women in Aerospace & Aviation (WIAA) charter, led by its Women@Safran network which has developed a road map toward encouraging diversity within the work place and will be supported by appropriate management training.

## **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.

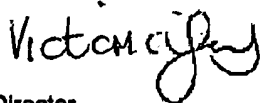
## Section 172(1) Statement (continued)

### 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. The company has set out these objectives in the form of a Balanced Business Scorecard and monitors the performance against these objectives monthly through relevant key performance indicators and improvement actions.

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: 8<sup>th</sup> August 2022



Registered No. 278391

## **Directors' report**

The Directors present their report and financial statements for the year ended 31 December 2021.

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 with s414C(11).

### **Results and dividends**

The loss for the year after taxation amounted to £8.5m (2020 – loss of £23.7m). The directors do not recommend a final dividend (2020 – £nil).

### **Directors**

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

V Mascré  
V Foy

### **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 (£nil 2020). Donations to UK charities amounted to £1k. (2020 – £1k).

### **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.

### **Research and Development**

The total cost of research and development during the year ended 31 December 2021 was £9,095k (2020: £15,318k) and this has been charged to the Income Statement as incurred.

### **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. 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.

### **COVID-19**

The effects of COVID-19 continue 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 pre-pandemic air travel levels. The majority of our customers have rescheduled new programme development or in-production programmes. Management estimates turnover for 2022 will be comparable to the levels seen in 2021 as a result of the ongoing impact of COVID-19 and likely to continue into 2023 as the airlines recover and with new developments being delivered into the market for committed programmes. In light of significantly lower air-travel throughout the pandemic and ongoing government border restrictions, our customers continue to seek delays to their programmes. This has given rise to both lower sales revenue and lower cash receipts from pre-pandemic levels and is 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 impact of the COVID-19 crisis and the reduction in production volume as a direct result, led management to take the difficult decision to restructure the business during 2020. This included the closure of the facility in Camberley and redundancies from within the facilities in South Wales. During 2021, like 2020, the company utilised the Government Coronavirus Job Retention Scheme (CJRS) to restrict the number of job losses. The directors consider that these strong actions coupled with consolidation of the industrial footprint in South Wales, position the business to be more competitive and sustainable when the industry fully rebounds.

### **Post Balance Sheet Event - Ukraine Russia Conflict**

The management of SSGB continue to monitor the situation of the impact of the Ukraine Russia conflict. There has been little impact within SSGB so far other than the global market cost increases.

### Streamlined Energy Carbon Reporting (SECR)

This report sets out how the Directors comply with the requirements set out in The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Greenhouse gas (GHG) emissions and energy usage data for the year ending 31 December 2021 is as follows:

Scope (GHG)	Information	Distance Travelled (km)	Consumption (kWh)	Total Gross Emissions (kg CO <sub>2</sub> e)
Scope 1	Total consumption (kWh) and emissions (kg CO <sub>2</sub> e) from transport fuel		197,593	49,338
Scope 2	Total consumption (kWh) and emissions (kg CO <sub>2</sub> e) from electricity		2,996,590	636,266
Scope 2	Total consumption (kWh) and emissions (kg CO <sub>2</sub> e) from gas		1,931,860	551,102
Scope 3	Total consumption (kWh) and emissions (kg CO <sub>2</sub> e) from business travel		39,001	6,688
Scopes 1, 2 and 3	Total consumption (kWh) and total emissions (kg CO <sub>2</sub> e)		5,153,226	1,243,393
Scope 3	Total distance travelled (km) and emissions (kg CO <sub>2</sub> e) from business air travel	433,710		71,344
Scopes 1, 2 and 3	Overall total emissions (kg CO <sub>2</sub> e)			1,314,738

Greenhouse gas (GHG) emissions and energy usage data for the year ending 31 December 2020 was as follows:

Scope (GHG)	Information	Distance Travelled (km)	Consumption (kWh)	Total Gross Emissions (kg CO <sub>2</sub> e)
Scope 1	Total consumption (kWh) and emissions (kg CO <sub>2</sub> e) from transport fuel		150,074	38,072
Scope 2	Total consumption (kWh) and emissions (kg CO <sub>2</sub> e) from electricity		2,910,557	678,567
Scope 2	Total consumption (kWh) and emissions (kg CO <sub>2</sub> e) from gas		2,146,317	611,357
Scope 3	Total consumption (kWh) and emissions (kg CO <sub>2</sub> e) from business travel		43,485	10,805
Scopes 1, 2 and 3	Total consumption (kWh) and total emissions (kg CO <sub>2</sub> e)		5,250,433	1,338,801
Scope 3	Total distance travelled (km) and emissions (kg CO <sub>2</sub> e) from business air travel	1,410,269		258,692
Scopes 1, 2 and 3	Overall total emissions (kg CO <sub>2</sub> e)			1,597,493

The company has a calculated Intensity ratio in the year of 10.4kg CO<sub>2</sub>e per £1,000 revenue (31 December 2020 13.1kg CO<sub>2</sub>e per £1,000 revenue), representing total gross emissions in the year as a ratio against revenue as per the income statement.

**Scope 1:** Total energy consumption (kWh) and emissions (kgCO<sub>2</sub>e) for scope 1 relating to consumption of combustion of fuel for transport purposes:

- **Petrol/Diesel Usage** of petrol and diesel for transport purposes and mobile plant. For reporting purposes, a conversion from litres to kWh and kgCO<sub>2</sub>e is required which has been based on the conversion factors for specific fuels within the 2021 UK Government GHG Conversion Factors for Company Reporting.

**Scope 2: Total energy consumption (kWh) and emissions (kgCO<sub>2</sub>e) for scope 2 relating to consumption of purchased electricity and gas:**

- **Electricity** consumption data obtained from invoiced electric usage. Annual usage calculated in kWh and converted into kgCO<sub>2</sub>e using the relevant emission factor given in the 2021 UK Government GHG Conversion Factors for Company Reporting.
- **Gas** consumption data obtained from invoiced gas usage. Annual usage calculated in kWh and converted into kgCO<sub>2</sub>e using the relevant emission factor given in the 2021 UK Government GHG Conversion Factors for Company Reporting.

**Scope 3: Total energy consumption (kWh) and emissions (kgCO<sub>2</sub>e) for scope 3 relating to business travel in rental cars or employee owned vehicle's where the company is responsible for purchasing the fuel. The mileage data for business miles has been extracted from the expenses system. The volume of fuel has been converted into kWh and emissions as per the relevant factors given in the 2021 UK Government GHG Conversion Factors for Company Reporting based on the average car size.**

**Scope 3: Total distance travelled (km) and emissions (kgCO<sub>2</sub>e) for scope 3 relating to business air travel based on data collected by our dedicated travel agent utilising data for distance travelled and class of travel. The emissions calculated are based on the 2021 UK Government GHG Conversion Factors for Company Reporting.**

#### **Energy Efficiency**

In the period covered by the report the Company has:

- Continued to install updated LED lighting panels where possible to provide improved lighting and reduce electricity consumption.
- Replaced a treatments plant in one of the factory areas reducing electricity consumption.
- Reduced core building temperatures to reduce electricity and gas requirements.

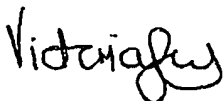
#### **Disclosure of Information to the auditors**

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: 8<sup>th</sup> August 2022

## 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 2021 which comprise the statement of comprehensive income, statement of financial position, 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 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

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

## Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

## **Other information**

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of 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 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation, non-compliance with implementation of government support schemes relating to COVID-19.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and



determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to provisions, capitalised development costs, impairment of intangible and tangible assets, recognition of deferred tax assets, revenue recognition (which we pinpointed to the cut-off assertion, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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.

Louis Burns

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

Chartered Accountants and Statutory Auditor

80 Victoria Street, Bristol, BS1 6DP

Date: 9 August 2022

## Statement of comprehensive income

for the year ended 31 December 2021

		Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
	Notes		
Revenue from contracts with customers	4	125,961	121,797
Cost of sales		(109,588)	(120,826)
Gross profit		16,373	971
Distribution costs		(2,344)	(3,315)
Administrative expenses		(27,169)	(32,772)
Government grant received	8	1,030	6,536
Operating loss	5	(12,110)	(28,580)
Interest payable and similar charges	9	(2,197)	(1,474)
Loss on ordinary activities before taxation		(14,307)	(30,054)
Tax	10	5,770	6,354
Loss for the financial year		(8,537)	(23,700)
Other comprehensive income:			
Other comprehensive income		-	-
Total comprehensive loss for the year		(8,537)	(23,700)

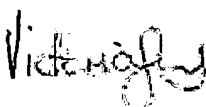
All amounts relate to continuing activities.

## Statement of financial position

at 31 December 2021

	Notes	2021 £'000	2020 £'000
<b>Fixed assets</b>			
Intangible assets	11	30,123	21,787
Tangible assets	12	3,960	4,912
Right of Use assets	13	6,081	9,444
		<u>40,164</u>	<u>36,143</u>
<b>Current assets</b>			
Stocks	14	83,975	94,851
Debtors	15	49,972	49,962
Cash at bank and in hand		-	-
		<u>133,947</u>	<u>144,813</u>
<b>Creditors: Current creditors falling due within one year</b>	16	<u>(211,913)</u>	<u>(200,296)</u>
<b>Net current liabilities</b>		<u>(77,966)</u>	<u>(55,483)</u>
<b>Total assets less current liabilities</b>		<u>(37,802)</u>	<u>(19,340)</u>
<b>Creditors: Non-current creditors falling due greater than one year</b>	17	<u>(49,707)</u>	<u>(52,447)</u>
<b>Provisions for liabilities</b>	18	<u>(10,818)</u>	<u>(18,003)</u>
<b>Net liabilities</b>		<u>(98,327)</u>	<u>(89,790)</u>
<b>Capital and reserves</b>			
Called up share capital	19	25,864	25,864
Profit and loss account		<u>(124,191)</u>	<u>(115,654)</u>
<b>Shareholders' deficit</b>		<u>(98,327)</u>	<u>(89,790)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



Director

Victoria Foy

Date: 5<sup>th</sup> August 2022

## Statement of changes in equity

for the year ended 31 December 2021

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2020	25,864	(91,954)	(66,090)
Loss for the financial year	-	(23,700)	(23,700)
At 31 December 2020	<b>25,864</b>	<b>(115,654)</b>	<b>(89,790)</b>
Loss for the financial year	-	(8,537)	(8,537)
At 31 December 2021	<b>25,864</b>	<b>(124,191)</b>	<b>(98,327)</b>

## Notes to the financial statements

at 31 December 2021

### 1. Corporate information

The financial statements of Safran Seats GB Limited, (the "Company") for the year ended 31 December 2021 were authorised for issue by the board of directors on 8<sup>th</sup> August 2022 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 s401 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 2021. 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 2021

### 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 within the Directors report on page 9, these actions include developing a clear strategy and roadmap with 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 (covering 2021-2025), the business will reach sustainable profitability. The medium term plan is shared with and approved by Safran Seats and within 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 2021

### 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 are 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 2021

### 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 to 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 2021

### 2.1 Accounting policies (continued)

#### *Revenue from contracts with customers (continued)*

##### *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 enforcement 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 2021

### 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.

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.

Assets held under Right of Use are subject to review and should any move to an impaired lease position, the impairment is charged to the profit and loss account. A lease will move to an onerous position when the asset is no longer in use and the lease period cannot be shortened.

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 2021

### 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 2021

### 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 2021

### 2.1 Accounting policies (continued)

#### **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.

## 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 2021, the carrying amount for the provision for liquidated damages was £917k (31 December 2020: £6,671k) (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 2021. As at 31 December 2021, the carrying amount for the provision for In-Service issues was £5,003k (31 December 2020: £5,867k) (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 2021, the carrying amount of capitalised development cost was £27,937k (31 December 2020: £18,950k) (Note 11)

## Notes to the financial statements

at 31 December 2021

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

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

- **Restructuring Costs** – Provision has been made for the outstanding restructuring costs that are to be incurred based on management judgement of the values outstanding. In determining the values outstanding, management makes assumptions regarding the future costs expected to be incurred following the restructuring completed during 2020. As at 31 December 2021, the carrying amount for the provision for Restructuring was £2,586k (31 December 2020: £3,543k) (Note 18).
- **Right of Use Assets Impairment** – Impairment exists when the asset will no longer be used to its full capability, but due to the terms of the lease the asset is not returned to the lessor. As part of restructuring the business, the facility in Camberley was closed. Due to location and set-up of the building, management has estimated that a sub-let will not be possible during the remaining lease term, (ends November 2024), giving rise to a further impairment loss on the asset during FY21. As at 31 December 2021, the carrying value for the impairment was £3,387k (31 December 2020: £1,844k) (Note 13).
- **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 £57.1m (31 December 2020: £90.8m) 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.

## Notes to the financial statements

at 31 December 2021

### 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 2021 £'000	Year ended 31 December 2020 £'000
<b>Type of goods or service</b>		
Sales of Engineering Services and Original Equipment	100,738	96,511
Sales of Aftermarket Parts	23,570	22,528
Aftermarket Services	1,653	2,758
<b>Total Revenue from Contracts with Customers</b>	<b>125,961</b>	<b>121,797</b>
<b>Geographical markets</b>		
United Kingdom	2,531	2,704
Europe	24,111	26,702
United States of America	77,097	57,236
Rest of the world	22,222	35,155
<b>Total Revenue from Contracts with Customers</b>	<b>125,961</b>	<b>121,797</b>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	92,236	84,116
Aftermarket Services transferred at a point in time	1,652	2,758
Engineering Services transferred over time	32,073	34,923
<b>Total Revenue from Contracts with Customers</b>	<b>125,961</b>	<b>121,797</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 2021 £'000	Year ended 31 December 2020 £'000
	Note		
Contract assets	14	52,249	35,361
Contract liabilities – less than one year	16	6,387	5,115
Contract liabilities – greater than one year	17	42,082	42,972

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 2021

### 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 £5,115k included in contract liabilities as at 31 December 2020 has been recognised as revenue in 2021 (2020: £9,299k).

### 5. Operating Loss

This is stated after charging/(crediting):

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Auditors' remuneration:		
Audit of these financial statements	110	111
Depreciation	1,247	1,449
Amortisation - Intangible assets	2,061	1,644
- Right of Use assets	2,186	2,300
Short-term and low value leases - Plant and machinery	81	218
- Land and buildings	102	188
One-off costs associated with reorganisation	-	12,236
Costs associated with COVID-19	84	246
Interest incurred on lease liabilities	158	186
Net foreign currency exchange differences	521	(2,081)
Cost of stocks recognised as an expense (included in cost of sales)	72,498	74,538
Including: write-down of stocks to net realisable value	4,862	1,085
Research and development expenditure (including customer-funded work)	9,095	15,318



## Notes to the financial statements

at 31 December 2021

### 6. Directors' remuneration

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Aggregate remuneration	233	203
Pension costs	10	10
Total costs	<u>243</u>	<u>213</u>
Number of directors who exercised share options	Nil	nil

Remuneration payable to the highest paid director was as follows:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Aggregate remuneration	<u>243</u>	<u>203</u>

There are no retirement benefits accruing to the directors (2020 – £nil) under the company's defined contribution scheme.

The highest paid director did not exercise share options during the year.

### 7. Staff costs

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Wages and salaries	31,648	38,641
Severance costs	889	5,483
Social security costs	3,505	4,069
Pension costs (note 21)	<u>2,015</u>	<u>2,443</u>
	<u>38,057</u>	<u>50,635</u>

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

	Year ended 31 December 2021 No.	Year ended 31 December 2020 No.
Production	708	973
Sales and distribution	36	63
Administration	<u>118</u>	<u>125</u>
	<u>862</u>	<u>1,162</u>

## Notes to the financial statements

at 31 December 2021

### 8. Government grants received

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Coronavirus Job Retention Scheme (CJRS)	1,030	6,536

### 9. Interest payable and similar charges

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Interest paid to group companies	2,197	1,474

### 10. Tax

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

The tax credit is made up as follows:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
<b>Current tax:</b>		
UK corporation tax on the profit / (loss) for the year	-	-
Group relief receivable	(2,691)	-
Adjustments in respect of prior years	(6,563)	(691)
Total current tax	(9,254)	(691)
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(3,497)	(7,053)
Adjustments in respect of prior years	6,981	1,390
Total deferred tax (note 10(c))	3,484	(5,663)
Income tax credit reported in the statement of comprehensive income	(5,770)	(6,354)

## Notes to the financial statements

at 31 December 2021

### 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 2021 £'000	Year ended 31 December 2020 £'000
<b>(Loss) before Taxation</b>	<b>(14,307)</b>	<b>(30,054)</b>
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2020:19%)	(2,718)	(5,711)
Effects of:		
Expenses not deductible for taxation	139	208
Income not taxable for taxation	-	-
R&D expenditure Credits	(39)	(253)
Deferred tax recognised	-	-
Adjustment to tax charge in respect of previous period	418	701
Change in tax rate on deferred tax	(3,570)	(1,300)
<b>Total tax credit for the year</b>	<b>(5,770)</b>	<b>(6,354)</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:

	2021 £'000	2020 £'000
At 1 January	18,102	12,439
Credited to the profit and loss account	5,770	5,663
Adjustment in respect of prior year	(8,995)	-
<b>At 31 December</b>	<b>14,877</b>	<b>18,102</b>

The elements of deferred taxation are as follows:

	2021 £'000	2020 £'000
Capital allowances in arrears of depreciation	593	1,145
Short term timing differences	187	(297)
Tax losses	14,097	17,254
<b>Deferred tax asset (note 15)</b>	<b>14,877</b>	<b>18,102</b>

#### Unrecognised deferred tax

There is no unrecognised deferred tax asset (2020: nil) in respect of tax losses carried forward. The losses can be carried forward indefinitely.

## Notes to the financial statements

at 31 December 2021

### 10. Tax (continued)

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

On 3 March 2021, the Chancellor of the Exchequer presented the annual budget, which included a change to future UK Corporation tax rates. The Corporation Tax rate is due to rise to 25% from 1 April 2023 for companies with profits greater than £250k and for companies with profits less than £50k the rate will remain at 19% and marginal relief for profits up to £250k.

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
<b>Cost or valuation:</b>				
At 1 January 2021	2,185	4,671	20,459	27,315
Additions	-	107	10,295	10,402
Disposals	-	(421)	-	(421)
As at 31 December 2021	<b>2,185</b>	<b>4,357</b>	<b>30,754</b>	<b>37,296</b>
<b>Amortisation:</b>				
At 1 January 2021	-	4,019	1,509	5,528
Charge for the year	464	289	1,308	2,061
Disposals	-	(416)	-	(416)
As at 31 December 2021	<b>464</b>	<b>3,892</b>	<b>2,817</b>	<b>7,173</b>
<b>Net book value:</b>				
As at 31 December 2021	<b>1,721</b>	<b>465</b>	<b>27,937</b>	<b>30,123</b>
At 1 January 2021	2,185	652	18,950	21,787

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. The charge in year relates to increase in aircraft retirements during 2021 therefore reducing the number of PAX in service.

Goodwill also includes the Safran Seats Services (3S) global organisation created during 2019 of £575k. There have been no indications of impairment over the goodwill in the current year.

## Notes to the financial statements

at 31 December 2021

### 12. Tangible fixed assets

	Short leasehold property £'000	Plant and vehicles £'000	Total £'000
Cost or valuation:			
At 1 January 2021	4,098	15,899	19,997
Additions	-	289	289
Disposals	-	(1,702)	(1,702)
As at 31 December 2021	<b>4,098</b>	<b>14,486</b>	<b>18,584</b>
Depreciation:			
At 1 January 2021	2,606	12,479	15,085
Charge for the year	213	1,034	1,247
Impairment Loss	-	(11)	(11)
Disposals	-	(1,697)	(1,697)
As at 31 December 2021	<b>2,819</b>	<b>11,805</b>	<b>14,624</b>
Net book value:			
As at 31 December 2021	<b>1,280</b>	<b>2,680</b>	<b>3,960</b>
At 1 January 2021	1,493	3,419	4,912

### 13. Right of Use Assets

	Short leasehold property £'000	Other assets £'000	Total £'000
Cost or valuation:			
At 1 January 2021	13,909	925	14,834
Additions	366	-	366
Disposals	-	-	-
As at 31 December 2021	<b>14,275</b>	<b>925</b>	<b>15,200</b>
Amortisation:			
At 1 January 2021	5,205	185	5,390
Charge for the year	2,001	185	2,186
Impairment Loss	1,543	-	1,543
Disposals	-	-	-
As at 31 December 2021	<b>8,749</b>	<b>370</b>	<b>9,119</b>
Net book value:			
As at 31 December 2021	<b>5,526</b>	<b>555</b>	<b>6,081</b>
At 1 January 2021	8,704	740	9,444

## Notes to the financial statements

at 31 December 2021

### 14. Stocks

	2021	2020
	£'000	£'000
Contract costs	62,249	35,361
Raw materials and consumables	27,580	55,210
Work in progress	4,146	4,280
	<u>83,975</u>	<u>94,851</u>

### 15. Debtors

	2021	2020
	£'000	£'000
Trade debtors	16,290	22,499
Amounts owed from group undertakings	4,638	1,363
Other debtors	2,880	3,086
VAT and other taxes recoverable	926	1,543
Corporation tax debtor – group relief	6,604	-
Corporation tax debtor	2,706	1,183
Deferred tax asset (note 10(c))	14,877	18,102
Government grant - CJRS	-	383
Prepayments	2,052	1,803
	<u>49,972</u>	<u>49,962</u>

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

	2021	2020
	£'000	£'000
Trade creditors	3,355	11,041
Amounts owed to group undertakings	191,317	175,820
Other creditors	1,583	3,585
Contingent consideration	166	166
Accruals and deferred income	6,945	2,531
Contract Liabilities	6,387	5,115
Right of Use Liabilities	2,160	2,038
	<u>211,913</u>	<u>200,296</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 £62k. Conditions were 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 2021

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

	2021	2020
	£'000	£'000
<b>Contract Liabilities</b>		
Greater than one Year	13,155	13,732
In Two to Five Years	28,927	29,240
Greater than Five Years	-	-
	<u>42,082</u>	<u>42,972</u>

	2021	2020
	£'000	£'000
<b>Right of use asset Liabilities</b>		
Greater than one Year	2,226	2,069
In Two to Five Years	3,644	5,085
Greater than Five Years	1,755	2,321
	<u>7,625</u>	<u>9,475</u>

Contractual undiscounted cashflows on lease liabilities are due as follows:

	2021	2020
	£'000	£'000
Less than one Year	2,193	2,193
One to Five Years	5,880	7,476
Greater than Five Years	1,792	2,390
	<u>9,865</u>	<u>12,059</u>

### 18. Provisions for liabilities

	Warranty provision	Other provisions	Total
	£'000	£'000	£'000
At 1 January 2021	561	17,442	18,003
Profit and loss account	677	471	1,148
Utilised	-	(8,333)	(8,333)
At 31 December 2021	<u>1,238</u>	<u>9,580</u>	<u>10,818</u>

#### Other provisions

At 31 December 2021 other provisions comprise provisions for penalties (£917k), commitment letters (£329k), litigation and commercial costs (£745k), in-service issues (£5,003k) and restructuring costs (£2,586k) 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 2021

### 19. Share capital and reserves

	2021		2020	
	No.	£'000	No.	£,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 £83k at 31 December 2021 (2020 – £517k).

### 21. Pensions

The company's defined contribution pension cost included within operating profit for the year was £2.0m (2020 – £2.4m). £0.3m (2020 – £0.3m) remains unpaid at the year end.

### 22. Contingent liabilities

The company has a duty deferment guarantee of £300,000 (2020 – £300,000) in respect of HM Customs and Excise.

### 23. 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.

### 24. Ultimate parent undertaking and controlling party

As at 31 December 2021, 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).

### 25. Subsequent events – Ukraine Russia Conflict

Since the balance sheet date there has been the start of the Ukraine Russia conflict, which has a minimal/low impact on business activities for SSGB. The company is treating this as a non-adjusting post balance sheet event.