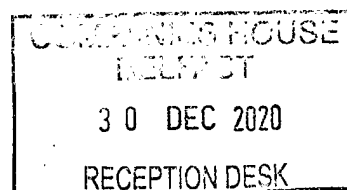


Thompson Aero Seating Limited

Annual report and financial statements

31 December 2019

Registered number NI032654



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Company information

Directors

A Budo
J Guo (appointed 16 March 2020)
Z Lin (appointed 9 December 2019)
N Taggart (appointed 16 March 2020)
Z Pang (resigned 16 March 2020)

Independent Auditors

PricewaterhouseCoopers LLP
Waterfront Plaza
8 Laganbank Road
Belfast, BT1 3LR

Bank

Danske Bank
Donegall Square West
Belfast
BT1 6JS

Solicitors

Arthur Cox
Victoria House
Gloucester Street
Belfast
BT1 4LS

Registered Office

51 Seagoe Industrial Estate
Portadown
Craigavon
County Armagh
BT63 5QE

Strategic report

Results

The Company's results for the year ending 31 December 2019 are summarised below:

	Year ended 31 Dec 2019	Year ended 31 Dec 2018
	£m	£m
Revenue	181	141
Management EBITDA ¹	(135)	(20)
Operating loss	(141)	(25)
Firm order book	416	470

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

Principal activity

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

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

Business review and key performance indicators

The Company's loss for the year ended 31 December 2019 was £121m (31 December 2018: £23m loss).

This challenging 2019 performance was in line with management's expectations following the 2018 results. The Company has now completed the initial phase of its transformation, having delivered a significant portion of its highly-diluted margin programs and completed all but one of its pending legacy development programs from the 2017 intake period, which will be completed in 2020.

This was done at a high cost to the Company. Management had to increase industrial capacity and at the same time implement a robust industrialisation process across the business. The combined effort massively increased industrial production capacity, allowing it to burn down most of the late delivery arrears and significantly reduce the Company's financial exposure to further penalties.

During a very difficult year, the Company was awarded several programmes for new developments for business and first-class seating, from a mixture of existing customers and new globally-recognised customers. These programmes have been in development using the Company's new processes and policies, yielding on-target financial performance under a strong governance, controlling both technical and financial risks, while meeting, and in most cases exceeding, customer expectations.

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

The Company's turnover increased from £141m in 2018 to £181m for the year ended 31 December 2019, this was due to delivery of the significant volume of new orders received in 2016 & 2017.

Management EBITDA for the year ended 31 December 2019 was £135m loss (31 December 2018: £20m loss). A reconciliation to the loss for the year is set out in note 4 to the financial statements.

At the year end the Company had decreased its order book to £416m (2018: £470m), as a result of the closure of its order book for a majority of 2018 (due to the volume of orders received in 2016 and 2017).

Strategic report (continued)

Section 172 (1) statement

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

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

As referenced in the business review, the Company is continuing with its transformation program. During these phases of transformation, the Company has included key stakeholders at each stage.

Shareholders

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

- The shareholders continued to support the Company through its transformation processes undertaken in 2019. This is critical for the long-term growth and success of the Company.
- One specific improvement initiative which was supported by the shareholders was the investment in a new state-of-the-art production line, which was installed in 2020. This will have a positive impact on waste reduction and manufacturing efficiency as well as improving workplace safety and employee & customer satisfaction.
- It is the shareholders' aim to have an integrated product offering for aircraft cabin interiors, and Thompson Aero Seating Limited is an integral part in this objective. The Company is excited to be part of this journey and this long-term vision will be beneficial to all stakeholders of the Company.

The above demonstrates the long-term commitment of our shareholders and places the Company in a good position for future well supported growth.

Customers

The Company has continued its close working relationships with its customers and is encouraged that we are still our customers' first choice when it comes to premium business-class and first-class aircraft seats. This is further evidenced through the geographical location of our customers and how much value they place on our product design and manufacture. This represents all the hard work from our employees to design and build these high-quality products. Our new seating range Vantage SOLO has been well received in the market to date. Vantage SOLO is an industry first, with a ground-up design of a full-flat Business Class seat with direct aisle access developed specifically for single-aisle aircraft. This new seat was developed by the Company's team throughout 2019 and at the time of this report is now fully industrialised. The long-term impact of this new product means that the Company is in a good position to meet our customers changing product offering as we see the airlines move to retire their wide body aircraft in favour of single aisle aircraft with similar flying ranges.

Employees

The directors have referenced our commitment to our employees in the Directors' Report. The directors confirm that they have engaged employees and taken account of their interests – this was of significant importance as the Company continued through its transformation in 2019.

In 2019 there were several specific employee initiatives introduced with the aim of placing the needs of the employees in the forefront:

- The Company introduced a new employee forum and during 2019 these forums were set up on each Company site. These forums provided the management team and employees a platform to encourage transparency, support and ongoing improvements in relation to employee views. Each employee forum meeting is headed by the forum chair, with minutes produced after each meeting and relevant actions being assigned to the management team. This level of accountability and transparency was well received by employees as the Company continues with its transformation processes.

Strategic report (continued)

- As a Company focused on the health, safety and wellbeing of its employees, in 2019 the Company joined a Health Matters at Work initiative. Health Matters at Work has delivered support, educational workshops and training programmes to the Company, all of which have been well received by our employees. The long-term aim of this initiative is for the Company to provide a commitment to improve health, safety and wellbeing of employees within the workplace.

Principal risks and uncertainties

Commercial relationships:

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

Air travel:

The Company is ultimately dependent on the changes in global air travel passenger numbers, which in turn drives demand for new aircraft. International passenger air miles grew in 2018 and 2019 and prior to the COVID-19 pandemic were expected to continue to rise. Whilst historically the industry has been very resilient to crisis, driving a fleet growth doubling every 15 years, it is expected that the market will be significantly impacted in the short to medium term by the pandemic and resulting changes in air travel.

Material cost risk:

The Company purchases materials required to manufacture their products and these are subject to price fluctuations. The Company aims to offset any such risks through product pricing strategy and efficiency improvements, including component cost reduction initiatives.

Sales price risk:

As part of the Company's sales are recorded in US Dollars and Euros, there is an element of foreign currency risk relating to the element of these transactions that are not hedged through the currency policy referred to in currency risk in the Directors' Report. Profitability at the portfolio level is being addressed through ongoing transformation initiatives.

Manufacturing capacity:

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

Information technology:

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

Cyber risk:

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

Product development:

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

Environmental:

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

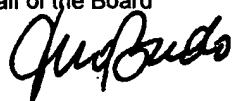
Health and safety updates are provided at monthly management meetings for each business unit. There were no major incidents reported during the year.

Position of the Company at the year end

The net liabilities of the Company at the balance sheet date are £96m (2018: net assets of £25m).

On behalf of the Board

A Budo
Director



Date: 23 December 2020

Directors' report

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

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

Future developments

The Company returned to a level of delivery performance that achieved contractual on-dock dates for all its deliveries in early 2020, allowing it to ship products via more economic means such as sea freight (compared to chartered aircraft during the ramp-up during 2019, driven by the depth of delay towards customer commitments) as well as avoiding significant late delivery penalty claims. As a result, 2020 is expected to be a significantly improved year operationally as the Company moves into a second phase of the transformation plan.

The Company has been significantly impacted by the effects of the COVID-19 pandemic which have been felt across the global aerospace industry. The net effect on the Company's customer base has been an almost complete grounding of their aircraft, followed by a re-planning of their fleets, leading to either deferral or cancellation of some new aircraft deliveries and retrofits of older aircraft with new seating.

As a result, in order to secure the long-term viability of the business, the Company had no option but to adjust its capacity across the business to meet new demand. This leaner organisation will allow the business to trade successfully in the new commercial environment, with a re-focus on product development to address a changing market as well as leveraging already-developed products to adjust to the expected demand for smaller aircraft that achieve higher range due to fuel efficiency improvements. This is expected to delay the Company's return to profitability to 2021, as management continue to drive efficiency and cost reduction measures across the enterprise.

Dividends

No dividends were paid during the year ended 31 December 2019 and none are proposed (year ended 31 December 2018: no dividends were paid or proposed).

Research and development

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

Directors

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

A Budo

J Guo (appointed 16 March 2020)

Z Lin (appointed 9 December 2019)

Z Pang (resigned 16 March 2020)

N Taggart (appointed 16 March 2020)

Directors' indemnities

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

Financial risks and treasury management

Interest rate risk:

The Company finances its operations through loans from group undertakings. The Company does not currently hedge variable rate interest expense on its bank borrowings.

Currency risk:

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

Liquidity risk:

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

Credit risk:

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

Directors' report *(continued)*

Employees

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

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

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

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

Health and safety

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

Going concern

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

In making an assessment as to whether the going concern principle should be adopted, the directors have considered the period starting with the date these financial statements were approved by the Board and ending on 31 December 2021.

The impact of COVID-19, which started to have an impact on the Company's operations in March 2020, has affected the Company's employees, customers and suppliers. Company revenue, profitability and cash flow has been significantly lower than pre COVID-19 levels. The Company does not have any credit facilities and has been supported by its shareholder through this period which has provided loans of £36m to provide additional liquidity.

A forecast model has been prepared to assess the most likely impact on the Company's revenue, profit and cash flow out to 2024, taking into account cost saving and other efficiency measures implemented or planned. The output from this model covering the period to 31 December 2021 has been used to assess whether the going concern principle should continue to be adopted. The model has been subject to stress testing to understand plausible downside scenarios.

The base case and downside risk models indicate that further shareholder support is required. This information has been shared with the Company's shareholder which has indicated that further financial support for the base case or downside scenario would be provided and that existing loans would not need to be repaid within 12 months of the date these financial statements were approved. The Company's shareholder needs to obtain funding to provide this support and is currently in talks with potential lenders and its parent (Aviation Industry Corporation of China, Limited). At the date these financial statements were approved the funding was not in place.

Based on these indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Post balance sheet events

In March 2020, the World Health Organisation declared the outbreak of a new Coronavirus, now known as COVID-19, a pandemic. The outbreak of COVID-19 affected business and economic activity around the world, including in the United Kingdom. The Company continues to closely monitor the development of the coronavirus outbreak and its impact on market conditions. The Company considers the impact of COVID-19 to be a non-adjusting post balance sheet event as of 31 December 2019. Given the inherent uncertainties, it is not practical at this time to determine the impact of COVID-19 on the Company or to provide a quantitative estimate of its impact.

Directors' report (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

Statement of disclosure of information to auditors

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

- (a) so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the annual general meeting.

On behalf of the Board



A Budo
Director

Date: 23 December 2020

Independent auditors' report to the members of Thompson Aero Seating Limited

Report on the audit of the financial statements

Opinion

In our opinion, Thompson Aero Seating Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2019; the Income statement, the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The impact of COVID-19 has affected the company's customers, employees and suppliers due to overall impact on the aerospace industry. Company revenue, profitability and cash flow has been significantly lower than pre COVID-19 levels. The Company has prepared a forecast model to assess the most likely impact on the company's revenue, profit and cash flow, for which base case and downside risk model scenarios indicate that further shareholder support is required. The Company's shareholder needs to obtain funding to provide this support and is currently in talks with potential lenders and its parent (Aviation Industry Corporation of China, Limited). At the date these financial statements were approved the funding was not in place. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 9, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Martin Cowie (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast
23 December 2020

Income statement

for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Revenue	3	180,993	141,094
Operating costs	4	(321,643)	(165,870)
Operating loss		(140,650)	(24,776)
Finance income	5	1,355	47
Finance expenses	6	(5,192)	(2,956)
Loss before taxation		(144,487)	(27,685)
Tax on loss	8	23,516	4,799
Loss for the financial year		(120,971)	(22,886)

Statement of comprehensive income

for the year ended 31 December 2019

	2019 £'000	2018 £'000
Loss for the financial year	(120,971)	(22,886)
Total other comprehensive income for the year (net of tax)	-	-
Total comprehensive expense for the year	(120,971)	(22,886)

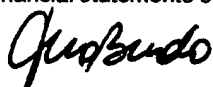
The notes on pages 15 to 36 form part of the financial statements.

The results for 2019 and 2018 arise from continuing activities.

Balance sheet
as at 31 December 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Intangible assets	9	1,965	1,239
Property, plant and equipment	10	16,008	16,886
Deferred tax asset	17	28,198	4,666
Right of use assets	11	398	-
		46,569	22,791
Current assets			
Inventories	12	72,125	81,287
Trade and other receivables	13	38,652	40,606
Corporation tax recoverable		3,234	3,702
Cash and cash equivalents	14	10,868	5,022
		124,879	130,617
Total assets		171,448	153,408
Non-current liabilities			
Borrowings	15	(75)	(1,040)
Lease liabilities	11	(52)	-
Provisions	16	(5,014)	(3,801)
		(5,141)	(4,841)
Current liabilities			
Trade and other payables	18	(115,382)	(52,680)
Lease liabilities	11	(354)	-
Borrowings	15	(146,414)	(70,882)
Provisions	16	(123)	-
		(262,273)	(123,562)
Total liabilities		(267,414)	(128,403)
Net (liabilities)/assets		(95,966)	25,005
Capital and reserves			
Issued share capital	19	442	442
Other reserves	20	501	501
Accumulated losses		(96,909)	24,062
Total equity		(95,966)	25,005

The financial statements on pages 12 to 36 were approved by the Board of Directors on 23 December 2020 and signed on its behalf by:



A Budo
Director

Registered number: NI032654

Statement of changes in equity
for the year ended 31 December 2019

	Issued share capital	Share premium account	Accumulated losses	Total equity
	£'000	£'000	£'000	£'000
At 1 January 2018	442	501	46,948	47,891
Loss for the year	-	-	(22,886)	(22,886)
At 31 December 2018	442	501	24,062	25,005
Loss for the year	-	-	(120,971)	(120,971)
At 31 December 2019	442	501	(96,909)	(95,966)

The notes on pages 15 to 36 form part of the financial statements.

Notes to the financial statements

1 Summary of significant accounting policies

The Company is a private limited company limited by shares which is incorporated and domiciled in the UK. The address of the registered office and its principal place of business is 50 Seagoe Industrial Area, Portadown, Craigavon BT63 5QE.

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

Primary financial statements format

The IFRS primary financial statements are presented in accordance with IAS 1 - 'Presentation of Financial Statements'

Basis of preparation

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

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

As permitted by FRS 101, the Company has taken advantage of the following exemptions from the requirements of IFRS in preparing these financial statements:

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

Going concern

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

In making an assessment as to whether the going concern principle should be adopted, the directors have considered the period starting with the date these financial statements were approved by the Board and ending on 31 December 2021.

The impact of COVID-19, which started to have an impact on the company's operations in March 2020, has affected the company's employees, customers and suppliers. Company revenue, profitability and cash flow has been significantly lower than pre COVID-19 levels. The Company does not have any credit facilities and has been supported by its shareholder through this period which has provided loans of £36m to provide additional liquidity.

A forecast model has been prepared to assess the most likely impact on the company's revenue, profit and cash flow out to 2024, taking into account cost saving and other efficiency measures implemented or planned. The output from this model covering the period to 31 December 2021 has been used to assess whether the going concern principle should continue to be adopted. The model has been subject to stress testing to understand plausible downside scenarios.

The base case and downside risk models indicate that further shareholder support is required. This information has been shared with the company's shareholder which has indicated that further financial support for the base case or downside scenario would be provided and that existing loans would not need to be repaid within 12 months of the date these financial statements were approved. The company's shareholder needs to obtain funding to provide this support and is currently in talks with potential lenders and its parent (Aviation Industry Corporation of China, Limited). At the date these financial statements were approved the funding was not in place.

Notes to the financial statements (continued)

Going concern (continued)

Based on these indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Foreign currency translation

Functional currency and presentation

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

Transactions and balances

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

Revenue from contracts with customers

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

Performance obligations

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

Transaction price

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

Revenue and profit recognition

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

Production revenue

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

Design and engineering

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

For the sale of services

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

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

Notes to the financial statements (continued)

1 Summary of significant accounting policies (continued)

Revenue from contracts with customers (continued)

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

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

Financial instruments

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

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

Impairment of financial assets

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

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

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

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

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

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

Fair value of financial instruments

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the balance sheet date. The fair values of financial instruments held at fair value have been determined based on available market information at the balance sheet date.

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

Notes to the financial statements (continued)

1 Summary of significant accounting policies (continued)

Leases

Accounting policy applied until 1 January 2019 (IAS 17)

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which the economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the term of the relevant lease, except where another systematic basis is more representative of the time pattern on which economic benefits from the leased asset are consumed.

Accounting policy applied from 1 January 2019 (IFRS 16)

Definition

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

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

Where contracts contain a lease coupled with an agreement to purchase or sell other goods or services (i.e., non-lease components), the non-lease components are identified and accounted for separately from the lease component. The consideration in the contract is allocated to the lease and non-lease components on a relative standalone price basis using the principles in IFRS 15.

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

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

Lease modifications

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

Notes to the financial statements (continued)

Leases (continued)

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

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

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

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

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

Provisions

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

Property, plant and equipment

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

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

Freehold buildings	50 years straight line
Leasehold land and buildings	Amortised over term of lease
Plant and machinery	Between 6 and 7 years straight line
Fixtures and fittings	5 years straight line

Freehold land and buildings and assets under construction are not depreciated.

Intangible assets - software

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

Research and development

Research and development expenditure is written off in the profit and loss account in the period in which it is incurred.

Inventories

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

Dividends

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

Borrowings

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

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

Notes to the financial statements (continued)

1 Summary of significant accounting policies (continued)

Employee benefits

The Company provides a range of benefits to employees, including paid holiday arrangements and a defined contribution pension plan.

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

The Company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds.

The amount charged to the profit and loss account in respect of pension costs is the contribution payable in the year. Differences between contributions payable and actually paid are shown as either accruals or prepayments in the balance sheet.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand and, call and term deposits.

Taxation

Income tax

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

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

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

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

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

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

Capital management

The Company's objectives, when managing capital, are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders.

In order to maintain or adjust the capital structure, the Company can adjust the amount of dividends paid to shareholders, return capital to shareholders and sell assets to reduce debt.

The Company monitors a rolling cash forecast to ensure there is sufficient cash to meet its operational requirements.

Changes to Accounting Policies

The company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

IFRS 16 Leases

The Company has changed its accounting policies as a result of adopting IFRS 16. The Company elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. Further details on this are found below. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

IFRS 16 Leases became mandatorily effective on 1 January 2019. The Company has applied this for the first time in this accounting period which resulted in changes to the accounting policies.

The Company transitioned to IFRS 16 using the modified retrospective approach and as a result the right-of use assets were equal to the lease liability, adjusted for any prepaid or accrued lease payments, at 1 January 2019. The prior period figures were not adjusted.

Notes to the financial statements (continued)

1 Summary of significant accounting policies (continued)

Changes to Accounting Policies (continued)

On adoption of IFRS 16, the Company elected to apply the relief provisions available and has not reviewed contracts under the definition of a lease per IFRS 16, which had previously not been classified as leases under the principles of IAS 17. Therefore, only contracts entered into or modified on or after 1 January 2019 have the definition of a lease per IFRS 16 applied.

In addition, the Company decided to apply recognition exemptions to leases with a term not exceeding 12 months and leases where the underlying assets are of low value.

For leases classified as operating leases under IAS 17, these lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The Company has used the following practical expedients permitted by IFRS 16 when applying this for the first time to leases previously classified as operating leases:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Applied the exemption not to recognise liabilities for leases with less than 12 months of lease term remaining;
- Excluded initial direct costs for the measurement of right-to-use assets at the date of initial application; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease. Where an extension option is reasonably certain to be exercised, the payments during that extension period have been taken into account when determining the lease liability.

Right-of-use assets are measured at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments.

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

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

- IFRS 17 Insurance Contracts (effective 1 January 2021)
- Amendments to References to the Conceptual Framework (effective 1 January 2020)
- Amendment to IFRS 3 Business Combinations (effective 1 January 2020)
- Amendments to IAS 1 and IAS 8 Definition of material (effective 1 January 2020)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (effective 1 January 2020)
- Interest Rate Benchmark Reform – phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7) (effective 1 January 2021)
- Amendments to IFRS 16, 'leases' – COVID-19 related rent concessions (effective 1 June 2020)
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective 1 January 2022)
- Amendments to IAS 1, Presentation of financial statements' on classification of liabilities (effective 1 January 2022)

2 Critical accounting judgements and estimation uncertainty

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

i) Provisions

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

Provision is made for deferred tax liabilities as a result of business combinations which require management's best estimate of the fair value of acquired net assets and the consequent intangible assets.

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

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

ii) Recognition of deferred tax asset

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

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the financial statements *(continued)*

2 Critical accounting judgements and estimation uncertainty (continued)

iii) Impairment of Property, plant and equipment

Management considered assets under construction to be impaired as at 31 December 2019. The company incurred professional fees relating to the design of a new company site. A decision was taken by management that the new factory site be postponed/deferred for a few years by which time the professional fees would no longer have any value" and as such believed the costs incurred relating to the new build should be fully provided for as a result of their impairment review of Property, plant and equipment.

Notes to the financial statements (continued)

3 Revenue

Revenue by customer location

	2019 £'000	2018 £'000
United Kingdom	2,256	4,148
Rest of Europe	37,991	20,864
Middle East	4,682	1,980
USA and Canada	30,806	34,736
Asia and Pacific	76,630	71,707
Other	28,628	7,659
	180,993	141,094

Revenue from contracts with customers

	2019 £'000	2018 £'000
Revenue from contracts with customers	180,993	141,094
	180,993	141,094

Timing of revenue recognition

	2019 £'000	2018 £'000
At a point in time:		
Production	171,290	114,524
Over time:		
Design & engineering	9,703	26,570
	180,993	141,094

Revenue by category

	2019 £'000	2018 £'000
Design & engineering	9,703	26,570
Production	171,290	114,524
	180,993	141,094

Notes to the financial statements (continued)

4 Operating costs

	2019 £'000	2018 £'000
Raw materials and other bought-in items	145,048	59,355
Change in inventories of finished goods and work in progress	(1,277)	7,065
Cost of inventories expensed	143,771	66,420
Staff costs (note 7)	50,592	33,905
Depreciation, amortisation and impairment	5,391	3,711
Loss on disposal of machinery	67	-
Other operating costs	121,822	61,834
Operating costs	321,643	165,870
Included within the above analysis are the following expenses:		
Lease and sublease expense	100	256
Research and development expenditure	21,663	25,299

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

	2019 £'000	2018 £'000
Fees payable to the Company's auditors for the audit of the Company's annual report and financial statements	24	33
Tax advisory services	26	-
Total fees payable to the Company's auditors	50	33

Reconciliation to Management EBITDA¹

	2019 £'000	2018 £'000
Loss for the year	(120,971)	(22,886)
Add back Taxation	(23,516)	(4,799)
Loss before taxation	(144,487)	(27,685)
Less Financial income	(1,355)	(47)
Add back Financial expense	5,192	2,956
Operating loss	(140,650)	(24,776)
Add back Depreciation, amortisation and impairment	5,391	3,711
EBITDA	(135,259)	(21,065)
Add back Non-operating items:		
Other non-operating expenses ²	543	985
Management EBITDA¹	(134,716)	(20,080)

1. Profit for the year before amortisation and impairment of intangible assets, depreciation and impairment of tangible assets, finance costs, taxation expense and non-operating items (defined as items that are relevant to an understanding of the Company's performance).
2. Other non-operating expenses includes unrealised foreign exchange movements on working capital balances.

Notes to the financial statements (continued)

5 Finance income

	2019	2018
	£'000	£'000
Other operating income	21	23
Foreign exchange gains	1,327	-
Other	7	24
Finance income	1,355	47

6 Finance expense

	2019	2018
	£'000	£'000
Interest on bank loans and overdrafts	205	236
Interest under IFRS 16 and hire purchase contracts	76	117
Interest on amounts due to group undertakings	4,911	1,270
Foreign exchange losses	-	1,333
Finance expense	5,192	2,956

Notes to the financial statements (continued)

7 Employees

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

	2019 No.	2018 No.
Management, engineering, administration and sales	596	225
Production	592	563
Total	1,188	788

The aggregate payroll costs in the year were as follows:

	2019 £'000	2018 £'000
Wages and salaries	44,742	30,105
Social security costs	4,771	3,187
Other pension costs	1,079	613
Total	50,592	33,905

Directors' emoluments

	2019 £'000	2018 £'000
Aggregate emoluments	275	350
Pension contributions	-	13
Total	275	363

Highest paid director

	2019 £'000	2018 £'000
Aggregate emoluments	269	274
Pension contributions	-	13
Total	269	287

There were benefits accruing to no directors under a money purchase scheme at the year-end (2018: none).

The following director was not remunerated by the Thompson Aero Seating Limited during the year ended 31 December 2019: Z Pang (2018: Z Pang).

Notes to the financial statements (continued)

8 Tax on loss

Tax credit included in profit or loss	Note	2019 £'000	2018 £'000
Current tax			
- Current year		18	(250)
- Adjustments in respect of prior years		-	194
Total current tax		18	(56)
Deferred tax			
- Origination and reversal of timing differences		(440)	(106)
- Tax losses		(23,094)	(4,637)
Total deferred tax	17	(23,534)	(4,743)
Tax credit		(23,516)	(4,799)

Reconciliation of tax credit

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

	2019 £'000	2018 £'000
Loss before tax	(144,487)	(27,685)
Applying standard rate of UK corporation tax of 19% (2018: 19%)	(27,453)	(5,260)
Effects of:		
- Expenses not deductible for tax purposes	1,041	3
- Effect of capital allowances and depreciation	706	264
- Changes in tax laws & rates	2,190	-
- Adjustments in respect of prior years	-	194
Tax credit	(23,516)	(4,799)

Tax rate changes

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was enacted in Finance Act 2016, and the deferred tax asset as at 31 December 2019 has been calculated based on this rate. A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantially enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%.

Notes to the financial statements (continued)

9 Intangible assets

	Computer software £'000	Total £'000
Cost		
At 1 January 2018	2,020	2,020
Additions	245	245
At 31 December 2018	2,265	2,265
Additions	1,207	1,207
At 31 December 2019	3,472	3,472
Accumulated Amortisation		
At 1 January 2018	(590)	(590)
Amortisation charge	(436)	(436)
At 31 December 2018	(1,026)	(1,026)
Amortisation charge	(481)	(481)
At 31 December 2019	(1,507)	(1,507)
Net book value		
At 31 December 2019	1,965	1,965
At 31 December 2018	1,239	1,239

10 Property, plant and equipment

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Construction in progress £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost						
At 1 January 2018	2,249	3,628	1,453	13,949	2,293	23,572
Additions	-	320	-	2,812	731	3,863
Transfers	-	344	(1,074)	730	-	-
At 31 December 2018	2,249	4,292	379	17,491	3,024	27,435
Additions	-	908	1,152	629	1,218	3,907
Transfers	-	-	(339)	339	-	-
Disposals	-	-	-	(981)	-	(981)
At 31 December 2019	2,249	5,200	1,192	17,478	4,242	30,361
Depreciation and impairment						
At 1 January 2018	(80)	(456)	-	(5,998)	(740)	(7,274)
Depreciation charge	(103)	(345)	-	(2,324)	(503)	(3,275)
At 31 December 2018	(183)	(801)	-	(8,322)	(1,243)	(10,549)
Depreciation reclassification	58	(58)	-	-	-	-
Depreciation charge	(45)	(597)	-	(2,417)	(657)	(3,716)
Depreciation on Disposals	-	-	-	775	-	775
Impairment	-	-	(863)	-	-	(863)
At 31 December 2019	(170)	(1,456)	(863)	(9,964)	(1,900)	(14,353)
Net book value						
At 31 December 2019	2,079	3,744	328	7,515	2,342	16,008
At 31 December 2018	2,066	3,491	379	9,169	1,781	16,886

Included in plant and machinery are assets acquired under hire purchase agreements with net book value of £1,196,000 (2018: £3,278,000).

Notes to the financial statements (continued)

11 Right of use assets

	Buildings £'000	Total £'000
Cost		
At 1 January 2018	-	-
At 31 December 2018	-	-
Arising on adoption of IFRS 16	729	729
At 31 December 2019	729	729
Accumulated depreciation		
At 1 January 2018	-	-
At 31 December 2018	-	-
Depreciation charge	(331)	(331)
At 31 December 2019	(331)	(331)
Net book value		
At 31 December 2019	398	398
At 31 December 2018	-	-

The balance sheet shows the following amounts relating to leases:

	2019 £'000	2018 £'000
Buildings	398	-
Total	398	-
Lease liabilities		
Current	354	-
Non-current	52	-
Total	406	-

In the previous year, the company recognised this leased asset as an 'operating lease' under IAS 17 *Leases*. As such, the lease payments were recognised as an expense in the income statement.

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

	2019 £'000	2018 £'000
Depreciation charge of right of use assets		
Buildings	(331)	-
Total	(331)	-
	2019 £'000	2018 £'000
Interest expense	(33)	-
Total	(33)	-

The total cash outflow for leases was £354,000.

Notes to the financial statements (continued)

12 Inventories

	2019 £'000	2018 £'000
Raw materials and consumables	42,862	40,666
Work in progress	28,146	40,410
Finished goods	1,117	211
Total	72,125	81,287

Movement in inventory provision	2019 £'000	2018 £'000
As at 1 January	2,769	1,013
Provision for impairment	10,014	1,756
As at 31 December	12,783	2,769

The cost of inventories recognised as an expense and included in operating costs amounted to £39,508,000 (2018: credit of £5,167,000).

13 Trade and other receivables

	2019 £'000	2018 £'000
Current		
Trade receivables	22,515	22,732
Amounts owed by group undertakings	1,195	1,108
Prepayments and accrued income	6,596	3,340
Contract assets	6,522	9,626
Other receivables	1,824	3,800
	38,652	40,606

The Company's trade receivables are stated after provisions for impairment of £5,000 (2018: £66,000). The fair values of trade and other receivables are not materially different from their carrying values. For the purposes of IFRS 9 "Financial instrument" all of the company's financial assets are classified as measured at amortised cost.

Movements in the provision for bad debts are as follows:

	2019 £'000	2018 £'000
At 1 January	66	88
Utilised	(61)	(51)
Created	-	29
At 31 December	5	66

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

	2019 £	2018 £
Contract assets recognised at start of the period	9,626	3,656
Revenue recognised in prior periods that was invoiced in the current period	(9,703)	(3,516)
Amounts recognised in revenue in the current period that will be invoiced in future periods	6,599	9,486
Balance at the end of the period	6,522	9,626

Notes to the financial statements (continued)

13 Trade and other receivables (continued)

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

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

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. On that basis, the loss allowance as at 31 December 2020 was deemed to be not materially different to that provision carried under IAS 39. The default rate on receivables is less than 1%.

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

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

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

14 Cash and cash equivalents

	2019 £'000	2018 £'000
Cash	10,868	5,022
Total cash and cash equivalents	10,868	5,022

Notes to the financial statements (continued)

15 Borrowings

	2019 £'000	2018 £'000
Non-current		
Obligations under hire purchase agreements	75	1,040
	75	1,040
Current		
Bank overdraft	-	777
Invoice finance	-	5,911
Amounts due to group undertakings	145,449	62,753
Obligations under hire purchase agreements	965	1,441
	146,414	70,882
Total borrowings	146,489	71,922

Assets pledged as security

The bank overdraft, invoice finance and hire purchase agreements are secured by a floating charge over the assets the Company and a fixed charge over the freehold & leasehold land & buildings of the Company.

Amounts due to group undertakings

The amounts due to group undertakings are designated in Pounds Sterling and US Dollars and total £145,449,000 in Pound Sterling equivalent (2018: £62,753,000). The amounts due to group undertakings bear interest at a number of rates between 3.5% and 5.1% per annum and are repayable between 6-12 months.

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

The fair value of current and non-current borrowings equals their carrying amount as the impact of discounting is not significant. For the purposes of IFRS 9 "Financial instruments" the financial liabilities noted above are classified as measured at amortised cost.

Amounts due to group undertakings at 31 December

	2019 £'000	2018 £'000
AVIC Capital International Holding Company Limited	-	21,236
AVIC Cabin Systems Co. Limited	145,449	41,517
Total	145,449	62,753

Notes to the financial statements (continued)

15 Borrowings (continued)

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

	2019 £'000	2018 £'000
AVIC Capital International Holding Company Limited	-	171
AVIC Cabin Systems Co. Limited	4,911	397
Total	4,911	568

Obligations under hire purchase agreements

	2019 £'000	2018 £'000
Not later than one year	965	1,040
Later than one year but not later than five years	75	1,441
Hire purchase agreements	1,040	2,481

16 Provisions

	Warranty £'000
At 1 January 2019	3,801
Created	2,852
Released	(562)
Utilised	(954)
At 31 December 2019	5,137

Represented by:

Current	123
Non-current	5,014
	5,137

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

Notes to the financial statements (continued)

17 Deferred tax

Deferred tax

	2019 £'000	2018 £'000
Intangible assets	-	(3)
Tax losses	(27,729)	(4,637)
Other	(469)	(26)
Deferred tax assets	(28,198)	(4,666)

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

The Company expects to be profitable in the coming years and plans to carry forward tax losses to utilise against these future projected profits. Management have determined the deferred tax asset to be £28,198,000 and have forecasted that deferred tax asset will be realised in the next five financial years.

Movement in temporary differences

	At 1 January 2019 £'000	Recognised in income £'000	At 31 December 2019 £'000
Intangible assets	(3)	3	-
Property, plant and equipment	(26)	(443)	(469)
Tax losses	(4,637)	(23,094)	(27,729)
	(4,666)	(23,534)	(28,198)

	At 1 January 2018 £'000	Recognised in income £'000	At 31 December 2018 £'000
Intangible assets	10	(13)	(3)
Property, plant and equipment	67	(93)	(26)
Tax losses	-	(4,637)	(4,637)
	77	(4,743)	(4,666)

18 Trade and other payables

	2019 £'000	2018 £'000
Current		
Trade payables	41,809	27,737
Other taxes and social security costs	1,322	1,046
Accruals and deferred income	72,251	23,897
	115,382	52,680

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

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

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

Notes to the financial statements (continued)

18 Trade and other payables (continued)

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

	2019	2018
	£	£
Contract liabilities recognised at start of the period	-	-
Amounts invoiced in prior periods recognised as revenue in the current period	-	-
Amounts invoiced in the current period which will be recognised as revenue in later periods	3,177	-
Balance at the end of the period	3,177	-

19 Equity - issued share capital

	Number	Number	Value (£)	Value (£)
	2019	2018	2019	2018
Ordinary £1 shares	442,007	442,007	442,007	442,007
	<u>442,007</u>	<u>442,007</u>	<u>442,007</u>	<u>442,007</u>

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

Equity dividends

No dividend has been paid during the current financial year, and none is proposed (2018: £nil).

20 Reserves

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

21 Related party transactions

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

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

Symphony Bidco Limited is the immediate parent of the Company in the United Kingdom. Amounts due to related parties are disclosed in note 15.

22 Pensions

The Company operates a defined contribution scheme, the assets of which are held in independently administered funds. Contributions to these schemes over the year were £1,079,000 (2018: £967,000). At the end of the year contributions of £109,000 (2018: £107,000) were outstanding.

23 Contingent liabilities

The Company has no significant contingent liabilities.

Notes to the financial statements (continued)

24 Commitments

Capital commitments

Capital expenditure contracted for but not provided for in full in the financial statements is £172,000 (2018: £611,000).

25 Controlling parties

The immediate parent undertaking and immediate controlling party of the Company at 31 December 2019 is Symphony Bidco Limited, a company registered in the United Kingdom.

The ultimate parent undertaking and ultimate controlling party at 31 December 2019 is the Aviation Industry Corporation of China, Limited. This is the largest Group of undertakings for which consolidated financial statements are drawn up and of which the Company is a member.

Symphony Bidco Limited is the smallest group to consolidate these results.