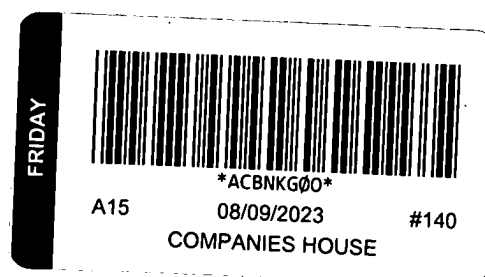


AVIC CABIN SYSTEMS (UK) LIMITED

Annual report and financial statements

31 December 2022

Registered number 11577055



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Company information

Directors

J Dai (appointed 22 October 2022)
L Fan (appointed 22 October 2022)
J Guo (appointed 22 October 2022)
Z Lin (appointed 22 October 2022)
Z Pang (resigned 1 July 2022)
E Payne (appointed 22 October 2022)
M Stoddart (appointed 22 October 2022)
T Xu (appointed 1 July 2022)

Independent Auditors

Mazars LLP
Chartered accountants and statutory auditors
5th Floor Merck House
Seldown Lane
Poole, BH15 1TW

Banks

Bank of China (UK) Limited
1 Lothbury
London, EC2R 7DB

Solicitors

Baker & McKenzie LLP
100 New Bridge Street
London, EC4V 6JA

Registered Office

1 Viscount Road
Aviation Business Park
Bournemouth International Airport
Hurn
Christchurch
England, BH23 6BU

Strategic report

Results

The Group's consolidated results for the year ended 31 December 2022 are summarised below:

	Year ended 31 Dec 2022	Year ended 31 Dec 2021
	£m	£m
Revenue	32	4
Operating (loss)/profit	(17)	0.2
Cash flow from operating activities	0.3	(0.7)
Management order book ¹	58	-

¹The management order book includes future revenue from contracts agreed with customers where a purchase order is expected but has not been received.

Business review and key performance indicators

Up to 21st June 2022 the principal activity of AVIC Cabin Systems (UK) Limited was to perform management services for its parent based in Hong Kong, AVIC Cabin Systems Co., Ltd.

On 21 June 2022 the Company acquired:

- Plant and machinery and intellectual property from AIM Altitude Limited.
- 100% of the share capital of AIM Aviation Inc, AIM Aviation Limited and Altitude Aerospace Interiors Limited from AIM Altitude Limited.
- Plant and machinery, stock and intellectual property from AIM Altitude UK Limited.

In addition all employees of AIM Altitude Limited and AIM Altitude UK at 21 June 2022 were transferred to the company under TUPE.

From 21 June 2022 the Company:

- Negotiated new contracts with a number of AIM Altitude UK Limited customers to continue to supply certain products post 21 June 2022.
- Negotiated new contracts with a number of AIM Altitude UK Limited and AIM Altitude Limited suppliers to supply goods and services post 21 June 2022 required to meet the new customer delivery commitments.
- Secured the appropriate regulatory approvals (including the UK Civil Aviation Authority) which are required to deliver products and services to customers.
- Integrated the operations of AIM Aviation Inc, AIM Aviation Limited and Altitude Aerospace Interiors Limited. This gave the company access to the design capability of New Zealand based Altitude Aerospace Interiors Limited.

The actions above transformed the Company into a supplier of galleys, stowages and premium class cabin interiors to international airlines for installation in Airbus and Boeing aircraft. The Company's capabilities also extend to a number of related, test, repair and distribution services.

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

The Group's revenue increased from £3.8m in 2021 to £31.8m for the year ended 31 December 2022. This is explained by the change in the Group's activities as described above with £26.2m of 2022 revenue being generated by the new activities.

The group generated an operating loss of £16.6m (2021 operating profit £0.2m). This was driven by provisions for dilapidations (£1.3m) and provisions for onerous contracts (£9.8m). The onerous contract provisions were as a result of the terms and pricing negotiated with the former AIM Altitude UK Limited customers. In addition there were exceptional costs of £6.9m mainly associated with the transition of the supply chain to the Company.

The group recorded £8.8m of other income in 2022 (2021: nil) mainly associated with the transition of AIM Altitude UK Limited customers to the Company.

Total assets of the Group increased by £46.3m, largely as a result of the purchase of assets and inventory to support the Group's new activities (£15.9m), an increase in trade and other receivables resulting from the new activities (£9.2m) and an increase in cash and cash equivalents (£21.1m).

Total liabilities increased by £34.2m, largely reflecting an increase in trade and other payables resulting from the new activities (£17.5m), increases to current loans (£2m), and an increase in provisions (£11.1m) as a result of onerous contracts & dilapidations.

Strategic report (continued)

Business review and key performance indicators (continued)

At 31 December 2022 the capital contribution reserve was £20m (2022: nil), reflecting non-refundable contributions made by the Company's parent, AVIC Cabin Systems Co., Ltd.

Cash inflows from operating activities in the year of £0.3m (2021 £0.7m outflow) are largely driven by the operating loss of £7.9m (2021 £0.2m profit) excluding the movement in provisions (£11.1m) (2021 nil), offset by an increase in working capital of £3.4m (2021 £0.8m) reflecting the new activity of the Group and depreciation of £0.5m (2021 £3k).

At the year end the Group's management order book was £58m (2021 nil).

Position of the Group and Company at the year end

The total net assets of the Group at the balance sheet date are £13,046k (2021 £921k). The Company has net assets at the balance sheet date of £13,288k (2021 £921k).

Principal risks and uncertainties

Commercial relationships:

The Group 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 Group. In order to manage this risk, the Group focuses heavily on delivering a high quality product on time, maintains regular contact with all customers and members of the Group's management meet regularly with individual management from key customers and the aircraft OEMs.

Air Travel:

The Group is ultimately dependent on a continued increase in passenger numbers which in turn drives demand for new aircraft and hence the Group's products. In addition the Group's after market revenue relies on flying hours for aircraft already fitted with the Group's products. In 2022, air passenger traffic gained momentum globally and recovered substantially from 41.7% of pre-COVID 2019 revenue passenger-kilometers (RPKs) in 2021 to 68.5% in 2022.

Material cost risk:

The Group purchases materials required to manufacture their products and these are subject to price fluctuations. The Group aims to offset any such risks through product pricing and efficiency improvements.

Sales price risk:

As part of the Group's sales are recorded in US Dollars and Euros, there is an element of foreign currency risk if these transactions are not managed appropriately through the currency policy referred to in currency risk in the Directors' Report.

Manufacturing capacity:

In common with many manufacturing organisations, one of the principal risks facing the Group is the matching of available manufacturing capacity to forecasts and projections of order intake. The Group is working in various areas to improve operational efficiency and develop capacity. The Group maintains a temporary workforce to ensure staffing levels are consistent with current operational requirements.

Information Technology:

The Group has invested in upgrades to its production facilities to ensure that they remain efficient and technologically advanced. The Group 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 Group invests significant resources in the continued development of new products, including rigorous evaluation of new materials and processes, modelling and head-of-version testing to retain a differentiated offering to the market.

Environmental:

The scale of global climate change is becoming increasingly evident and the importance of caring for our environment and mitigating natural disasters becomes an essential rather than optional business priority. The Group 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 Group locations. These include monitoring of power, cardboard and composite waste and implementing processes to reduce waste. Some of these activities aid in the reduction of greenhouse gas emissions that, in turn, contribute towards mitigating climate change globally.

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

Strategic report (continued)

Companies Act 2006, Section 172(1)

The Directors of AVIC Cabin Systems (UK) Limited must act in accordance with a set of general duties. These include a duty under Section 172 of the Companies Act to promote the success of the Company.

The Board oversees a structured approach to the development of the Company's strategy, looking at commercial considerations and the development of current and possible future markets.

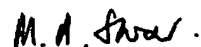
The Company looks to work with customers and suppliers that embrace standards of ethical behaviour. Senior leaders are responsible for managing important relationships and responding to their requirements.

The Company is committed to creating a culture where all our employees can give their best.

We proactively consider, manage and review the impact we have on our local communities. Apprentices are vital to the continued success of our business. Each year a number of students are invited to participate in our school leaver programme. As a manufacturer, we recognise that our operations have an environmental impact. We are committed to reducing the environmental impact of our operations and products, minimising our ecological footprint and in turn, decreasing our operational costs.

Responsible business conduct is fundamental to the long-term success of the Company. We do not compromise on the way we conduct business and consistency of this approach is key to maintaining the Company's reputation.

On behalf of the Board



M Stoddart
Director

May 16, 2023

Directors' report

The Directors present their report and audited consolidated financial statements of the Group for the year ended 31 December 2022.

Incorporation

The Company is a private Company limited by shares and was incorporated in England and Wales on 19 September 2018. The Company is domiciled in the United Kingdom.

The address of its registered office is 1 Viscount Road, Aviation Business Park, Bournemouth International Airport, Hurn, Christchurch, England, BH23 6BU.

The immediate parent undertaking and immediate controlling party of the Company at 31 December 2022 is AVIC Cabin Systems Co., Ltd, a Company registered in Hong Kong.

The ultimate parent undertaking and ultimate controlling party at 31 December 2022 is the Aviation Industry Corporation of China, Limited.

Future developments

The Group has an order book at 31 December 2022 of £58m. Future orders are dependent on the Group improving its operational performance and cost base to offer competitive pricing.

Dividends

No dividends were paid during the year ended 31 December 2022 and none are proposed (year ended 31 December 2021 no dividends were paid or proposed).

Research and development

The Group pursues a programme of targeted research and development to maintain its position in the market for the design and manufacture of interior equipment for civil aircraft.

Directors

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

J Dai (appointed 22 October 2022)

L Fan (appointed 22 October 2022)

J Guo (appointed 22 October 2022)

Z Lin (appointed 22 October 2022)

Z Pang (resigned 1 July 2022)

E Payne (appointed 22 October 2022)

M Stoddart (appointed 22 October 2022)

T Xu (appointed 1 July 2022)

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. The Group also purchased and maintained throughout the financial year Directors' and officers' liability insurance in respect of itself and its Directors.

Financial Risks and Treasury Management

Currency risk:

During the year currency risk was managed through cash flow forecasting and purchase of required foreign currency at spot rates.

Liquidity risk:

The Group's policy is to ensure that it has sufficient cash in place to satisfy its cashflow projections. The Group's cash flows are dependent on the cash profile of its contracts. The Group's balance sheet continues to be managed conservatively and the Group monitors a rolling cash forecast to ensure there is sufficient cash to meet its operational requirements.

The unsecured loan note issued to AVIC Cabin Systems (UK) Limited by AVIC Cabin Systems Co., Ltd is redeemable on demand and therefore classified as a current liability.

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)

Financial Risks and Treasury Management (continued)

Price risk:

The Group is subject to significant competition in international markets. The Group mitigates this risk with an international, multi-market presence, a balanced portfolio of products, cutting-edge technology and a track record of delivery on its commitments to its customers. The Group continues to invest in research and development, reduce its cost base and improve efficiencies to remain competitive. The Group purchases materials required to manufacture its products and these are subject to price fluctuations. The Group does not think it is exposed to material price risk from suppliers, but aims to offset any such risks through product pricing and efficiency improvements.

Stakeholder engagement

We understand that who we are and how we behave matters not only to our people but to the many stakeholders who have an interest in our business. We believe that stakeholder engagement remains vital to building a sustainable business and we interact with many stakeholders at different levels of the organisation. Engagement is carried out by those most relevant to the stakeholder group or issue. The Directors' recognise that the quality of the Group's customer relationships is based on mutual trust as well as its engineering expertise. The Group's supply chain is a vital contribution to its performance, therefore the Directors' support the Group's Executive Team who work collaboratively with our suppliers to continue to improve operational performance. The Board recognises that it is through our people that we fulfil our potential, achieve our vision and execute our strategy. More information on employee engagement is included below.

Employees

The Group 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 trade union and representative employee committee channels and through periodic employee briefing meetings.

The Group consults employees or their representatives 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.

Employee briefing meetings, hosted by the Directors' of the Company, provide an opportunity to share information on the performance of the business including an update on the latest market conditions. This also provides an opportunity for the Directors' to hear first-hand from employees. We will continue to listen to our employees to understand what matters to them.

The Group encourages the involvement of employees in the Group'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 Group to ensure the health and safety of its employees and of any other persons who could be affected by its operations. It is the Group'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.

Going concern

The Directors believe that preparing the financial statements on the going concern basis is appropriate. Further information is included in the Notes to the financial statements (page 17).

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 Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Group and Company and of the profit or loss of the Group and 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 IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, 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 Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and 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 Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

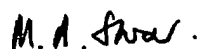
In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- 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 Group and Company's auditors are aware of that information.

Independent auditors

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

On behalf of the Board



M Stoddart
Director

May 16, 2023

Independent auditor's report to the members of AVIC Cabin Systems (UK) Limited

Opinion

We have audited the financial statements of AVIC Cabin Systems (UK) Ltd (the 'parent Company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, Company balance sheet, Company 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 UK-adopted international accounting standards and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent Company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006; 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 group and the parent 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 Director's 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 group's and the parent 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.

Independent auditor's report to the members of AVIC Cabin Systems (UK) Limited (continued)

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 group and the parent Company and their 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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 9, 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 group's and the parent 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 group or the parent 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 group and the parent Company and their 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 and aviation specific licensing.

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 group and the parent 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 group and the parent Company which were contrary to applicable laws and regulations, including fraud.

Independent auditor's report to the members of AVIC Cabin Systems (UK) Limited (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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 revenue recognition (which we pinpointed to the cut off and accuracy assertion, and significant one-off or unusual transactions.

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

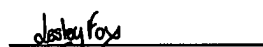
- Making enquiries of the Directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing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


Lesley Fox / May 18, 2023 14:12 GMT+1

Lesley Fox (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
5th Floor, Merck House,
Seldown Lane
Poole
Dorset
BH15 1TW

Date May 18, 2023

Consolidated Income Statement
for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Revenue	3	31,797	3,760
Operating costs	4	(30,392)	(3,585)
Movement in provisions	20	(11,081)	-
Exceptional costs	5	(6,909)	-
Operating (loss)/Profit		(16,585)	175
Other income	6	8,839	-
Financial expense	7	(198)	-
(Loss)/profit before taxation		(7,944)	175
Taxation	9	69	-
(Loss)/profit for the year		(7,875)	175

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2022

	2022 £'000	2021 £'000
(Loss)/profit for the year	(7,875)	175
Other comprehensive (expense)/income	-	-
Total other comprehensive income for the year (net of tax)	-	-
Total comprehensive expense for the year	(7,875)	175

The notes on pages 17 to 36 form part of the consolidated financial statements.

The results for 2022 and 2021 arise from continuing activities.

Consolidated Balance Sheet
as at 31 December 2022

	Note	2022 £'000	2021 £'000
Non-current assets			
Intangible assets	10	28	-
Property, plant and equipment	11	848	4
Right-of-use assets	12	3,352	-
	16	4,228	4
Current assets			
Inventories	13	11,701	-
Trade and other receivables	14	11,307	2,080
Deferred tax	21	106	-
Cash and cash equivalents	15	21,119	31
		44,233	2,111
Total assets		48,461	2,115
Non-current liabilities			
Lease liabilities	19	(3,092)	-
Provisions	20	(3,833)	-
		(6,925)	-
Current liabilities			
Trade and other payables	22	(18,680)	(1,194)
Loans	17	(2,000)	-
Lease liabilities	19	(562)	-
Provisions	20	(7,248)	-
		(28,490)	(1,194)
Total liabilities		(35,415)	(1,194)
Net (liabilities)/assets		13,046	921
Equity			
Issued share capital	24	500	500
Capital contribution reserve		20,000	-
Retained earnings		(7,454)	421
Total equity		13,046	921

The financial statements on pages 13 to 49 were approved by the Board of Directors on May 16, 2023 and signed on its behalf by:

M. A. Stoddart

M Stoddart
Director

Registered number: 11577055

Consolidated Statement of Changes in Equity
for the year ended 31 December 2022

	Issued share capital	Capital contribution reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
At 31 December 2020	500	-	246	746
Profit for the year	-	-	175	175
Total other comprehensive income for the year (net of tax)	-	-	-	-
Total comprehensive income for the year	500	-	421	921
At 31 December 2021	500	-	421	921
(Loss) for the year	-	-	(7,875)	(7,875)
Total other comprehensive income for the year (net of tax)	-	-	-	-
Capital contributions	-	20,000	-	20,000
Total comprehensive income/(expense) for the year	-	20,000	(7,875)	12,125
At 31 December 2022	500	20,000	(7,454)	13,046

Capital contribution reserve

The Capital contribution reserve represents non refundable contributions made to the Company by its parent undertaking.

Consolidated Cash Flow Statement
for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Loss for the year		(7,875)	175
Other income	6	(8,839)	-
Taxation		(106)	-
Net finance expense		110	-
Operating loss		(16,710)	175
Other income	6	8,839	-
Depreciation, amortisation and impairment		503	3
Movement in provisions		11,081	-
(Increase)/decrease in working capital:			
Inventories		(11,701)	-
Trade and other receivables		(9,227)	(1,342)
Trade and other payables		17,486	472
Cash flows from operating activities		271	(692)
Taxation paid		-	-
Net cash inflow/(outflow) from operating activities		271	(692)
Net interest paid		(110)	-
Purchase of tangible fixed assets		(1,040)	-
Purchase of intangible fixed assets		(53)	-
Net cash outflow from investing activities		(1,203)	-
Principal element of lease payments		20	-
Cash inflow from loans		2,000	-
Capital contributions		20,000	-
Net cash inflow from financing activities		22,020	-
Net increase/(decrease) in cash and cash equivalents		21,088	(692)
Cash and cash equivalents at the beginning of the year		31	723
Cash and cash equivalents at the end of the year	15	21,119	31

Notes to the consolidated financial statements

1 Accounting policies

General Information

AVIC Cabin Systems (UK) Limited is a private Company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is 1 Viscount Road, Aviation Business Park, Bournemouth International Airport, Hurn, Christchurch, England, BH23 6BU.

Basis of preparation

The consolidated financial statements of AVIC Cabin Systems (UK) Limited have been prepared on a going concern basis, as discussed in the Directors' report on page 7, in accordance with EU-endorsed International Financial Reporting Standards (IFRS), the Companies Act 2006 applicable to companies reporting under IFRS and IFRS Interpretations Committee (IFRS IC). For accounting periods prior to the year ended 31 December 2022 AVIC Cabin Systems (UK) Limited prepared its accounts in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard Standard 102 Section 1A small entities ("FRS 102 1A"), but made an election during the current year to adopt IFRS. The impact of the first time adoption of IFRS has been discussed further in note 31 to the consolidated accounts. The accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all of the years presented, unless otherwise stated.

The consolidated financial statements are presented in pounds sterling and, unless stated otherwise, rounded to the nearest one thousand. They have been prepared under the historical cost convention, as modified by the revaluation of derivative financial assets and financial liabilities.

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.

Going concern

The Directors have formed a judgement, at the time of approving these financial statements, that there is a reasonable expectation that the Group will have 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 May 2024.

A forecast model has been prepared to assess the most likely impact on the Group'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 May 2024 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 sufficient cash is available to the Group to continue to operate throughout the forecast period and therefore the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Change to accounting policies

The following standards, interpretations and amendments to existing standards became effective on 1 January 2022 and have not had a material impact on the Group:

- Amendments to References to the Conceptual Framework in IFRS Standards, effective 1 January 2022;
- Amendments to IAS 16, Property, Plant and Equipment – Proceeds before Intended Use, effective date 1 January 2022;
- Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract, effective from 1 January 2022;
- Annual Improvements to IFRS Standards 2018-2022 Cycle, effective from 1 January 2022.

The following other standards, interpretations and amendments to existing standards have been issued but were not mandatory for accounting periods beginning on 1 January 2022 and are not expected to have a material impact on the Group:

- Amendments to IAS 1, Classification of Liabilities as Current or Non-current, effective from 1 January 2024;
- Amendments to IAS 8, Definition of Accounting Estimates, effective from 1 January 2023;
- Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction, effective from 1 January 2023;
- Amendments to IFRS 16, Lease Liability in a Sale and Leaseback, effective from 1 January 2024;
- Amendments to IFRS 17: Insurance Contracts, effective from 1 January 2023

Notes to the consolidated financial statements (*continued*)

1 Accounting policies (*continued*)

Consolidation

The financial statements of the Group consolidate the results of the Company and its subsidiary entities.

A subsidiary is an entity controlled by the Group. The Group controls a subsidiary when it is exposed, or has the rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

The results of subsidiaries are included in the income statement from the date of acquisition.

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

The assets and liabilities of overseas subsidiaries are translated at the exchange rates ruling at the balance sheet date. The income statements of such entities are translated at average rates of exchange during the year. All resulting exchange differences are recognised directly in a separate component of equity.

Revenue recognition

IFRS 15, Revenue from Contracts with Customers, 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 Group 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 Group'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 Group's pricing principles.

Revenue and profit recognition

Revenue is recognised as performance obligations are satisfied as control of the goods and services is transferred to the customer. A receivable is recognised at this point because only the passage of time is required before the payment is due.

For each performance obligation within a contract, the Group determines whether it is satisfied over time or at a point in time. Performance obligations are satisfied over time if one of the following criteria is satisfied:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date.

The Group has determined that the non-recurring design element of the Group's contracts usually satisfies the over time criteria because the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs.

For each performance obligation to be recognised over time, the Group 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.

Notes to the consolidated financial statements (continued)

1 Accounting policies (continued)

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

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

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

The Group also recognises revenue from recharging costs incurred throughout the period to its parent Company, AVIC Cabin System Co. Limited, incorporated in Hong Kong.

Financial Instruments

Basic financial assets, including trade and other receivables, and cash and bank balances, are initially recognised at transaction price and subsequently at amortised cost. At the end of each accounting period these assets are assessed for objective evidence of impairment, and loss arising being recognised in the profit or loss. 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.

Lease costs - Lessees

At inception of a contract, the Group assesses whether a contract is or contains a lease. If it is deemed a contract contains a lease, the Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured as the present value of future lease payments, discounted using the interest rate implicit in the lease. Where this rate is not determinable, the Group's incremental borrowing rate is used, which is the interest rate the Group would have to pay to borrow the amount necessary to obtain an asset of similar value, in a similar economic environment with similar terms and conditions.

The right-of-use asset is initially measured at cost, comprising the initial value of the lease liability, any lease payments made (net of any incentives received from the lessor) before the commencement of the lease, any initial direct costs and any restoration costs. Payments in respect of short-term leases, low-value leases and leases of intangible assets continue to be charged to the income statement on a straight-line basis over the lease term.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Provisions

Provisions are recognised when the Group 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.

Notes to the consolidated financial statements (*continued*)

1 Accounting policies (*continued*)

Property, plant and equipment

Items of property, plant and equipment are stated at original cost, less accumulated depreciation and impairment. 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.

Assets in the course of construction are not depreciated until brought into operational use, at which point they are transferred to the appropriate asset category.

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

Leasehold buildings	Amortised over term of lease
Plant and machinery	Between 4 and 13 years
Fixtures and fittings	Between 4 and 13 years
Computer equipment	4 years

Where used assets were purchased as part of the change in business activities the remaining useful life was assessed at the purchase date. For these assets the useful life was deemed to be outside of the companies policies but represented a more accurate estimation of the assets useful life. The useful life estimated for these assets was 2 years.

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 between two and five years, on a straight line basis.

Research and development

Research and development expenditure not meeting the conditions for capitalisation 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.

Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, 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 Group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Group 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 short term deposits.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Notes to the consolidated financial statements (*continued*)

1 Accounting policies (*continued*)

Taxation

The taxation charge is based on the Group's profit or loss for the period and takes into account current and deferred taxation.

Current taxation relates to the amounts payable to tax authorities in respect of the Group's taxable profits and is based on an interpretation of current tax laws.

Deferred tax is recognised on all timing differences, on a non-discounted basis, where transactions or events that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date.

Deferred tax assets are recognised when it is more likely than not that they will be recovered.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on the sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Business combinations and intangible assets

Business combinations are accounted for by applying the purchase method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued. Acquisition-related costs are expensed as incurred.

On acquisition of a business fair values are attributed to identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest of the identifiable net assets, liabilities and contingent liabilities acquired. Where the fair value of the Group's identifiable net assets is less than the purchase consideration, negative goodwill is recognised and shown as other income in the Consolidated Income Statement.

Goodwill is not amortised. Other identifiable intangible assets are amortised on a straight-line basis over their expected useful life of between 3 and 15 years and are carried at cost less accumulated amortisation and impairment losses. The carrying value of intangible assets is 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.

Foreign currency

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date. Foreign currency gains and losses resulting from the settlement of transactions and from the translation of period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Capital management

The Group's objectives, when managing capital, are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure to reduce the cost of capital.

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

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

See note 27 for an analysis of the changes in the Group's net debt.

Notes to the consolidated financial statements *(continued)*

2 Critical accounting estimates and judgements

The preparation of the financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. 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.

Judgements

Management exercised judgement on how to account for the purchase of plant and machinery, stock and intellectual property from AIM Altitude Limited and AIM Altitude UK Limited. This was treated as a purchase of assets and not a business combination.

The Group holds provisions for expected contractual costs that it expects to incur. Management exercises judgement to determine the amount of these provisions. Provision is made for known issues based on past experience of similar items and other known factors. Each provision is considered separately and the amount provided reflects the best estimate of the most likely amount, being the single most likely amount in a range of possible outcomes.

Estimates

i) Provisions

Provision is made for dilapidations. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish the net present value of the obligations require management's judgement.

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.

Management regularly reviews the financial performance and profitability of the Group's contracts. Provision is made for onerous contracts where the costs to fulfil the terms of the contract are higher than the expected benefits.

Provision is made for obsolete and slow-moving inventory that is not expected to be sold. Management prepares regular sales forecasts to help estimate whether the inventory will be sold.

Management reviews regularly the expected recoverability of the balance of work in progress held in inventory based on their best estimate of the costs to complete a project, and any impairment is made in the period in which it is identified.

Management reviews and assesses each month the recoverability of the Group's trade debtors. Provision is made for doubtful debt where the Directors believe that there is a material risk that a debt may not be recovered.

ii) IFRS15 Accounting

The value of revenue and profit recognised from long-term contracts is reviewed regularly by management based on their best estimate of the full cost to complete each project and their assessment of any loss making contracts.

iii) The Group's incremental borrowing rate

Where the interest rate implicit in a lease is not available, the Group's incremental borrowing rate is used to discount future cash flows in order to determine the lease liability and right-of-use asset for lease arrangements. This rate can have a significant impact of the value of the lease liability and right-of-use asset. The weighted average incremental borrowing rate applied to lease liabilities on implementation of IFRS 16 was 5%. The lease liability on adoption of IFRS 16 at 1 January 2022 was nil.

Notes to the consolidated financial statements (*continued*)

3 Revenue from contracts with customers

Revenue by customer location		
	2022	2021
	£'000	£'000
United Kingdom	8,362	-
Rest of Europe	12,380	-
Middle East	2,059	-
USA and Canada	2,232	-
Asia and Pacific	6,764	3,760
	31,797	3,760
Revenue from contracts with customers		
	2022	2021
	£'000	£'000
Revenue from contracts with customers	31,797	3,760
	31,797	3,760
Timing of revenue recognition		
	2022	2021
	£'000	£'000
At a point in time	30,422	3,760
<i>Production</i>	24,839	-
<i>Management services</i>	5,583	3,760
Over time	1,375	-
<i>Design & engineering</i>	1,375	-
	31,797	3,760
Contract assets and liabilities		
	2022	2021
	£'000	£'000
Total contract assets	280	-
Total contract liabilities	389	-
Unsatisfied contracts		
	2022	2021
	£'000	£'000
Aggregate amount of the transaction price that is partially or fully unsatisfied as at 31 December	50,149	-

Management expects that 87% (£43m) of the transaction price allocated to unsatisfied contracts at 31 December 2022 will be recognised in the next reporting period. The remaining amount will be recognised in future years.

Notes to the consolidated financial statements (continued)

4 Operating costs

	2022 £'000	2021 £'000
Raw materials and other bought-in items	9,292	-
Change in inventories of finished goods and work in progress	(6,258)	-
Cost of inventories expensed	3,034	-
Staff costs (note 7)	11,403	2,255
Depreciation and amortisation, excluding right-of-use assets	221	3
Depreciation on right-of-use assets	282	-
Other operating charges	15,452	1,327
Operating costs (excluding movement in provisions and exceptional costs)	30,392	3,585
Movement in provisions	11,081	-
Exceptional costs	6,909	-
Operating costs	48,382	3,585
Included within the above analysis are the following expenses:		
Research and development expenditure	1,002	-
Expense relating to short-term leases	754	232

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

	2022 £'000	2021 £'000
Fees payable to the Company's auditor for the audit of the Company's Annual report and financial statements	135	28
Fees payable to the Company's auditor and its associates for other services pursuant to legislation:		
The audit of the Company's subsidiaries	15	-
Tax compliance services	-	-
Total fees payable to the Company's auditor	150	28

5 Exceptional costs

	2022 £'000	2021 £'000
Supply chain	6,788	-
Other expense	121	-
Exceptional costs	6,909	-

During the year the Group paid £6,788k (2021 nil) associated with the transition of the supply chain to the Company.

6 Other income

	2022 £'000	2021 £'000
Transition of customers ¹	8,584	-
Gain on bargain purchase ²	149	-
Other income	106	-
Other income	8,839	-

¹ During the period the non-refundable cash contributions associated with the transition of AIM Altitude UK Limited customers to the Company were received.

² The purchase price paid for the share capital of the Companies subsidiaries resulted in a gain on bargain purchase which has been recognised as income.

Notes to the consolidated financial statements (continued)

7 Financial expense

	2022 £'000	2021 £'000
Loan note interest	94	-
Interest expense on lease liabilities	104	-
Financial expense	198	-

8 Employees

The average monthly number of employees (including executive Directors) by activity employed during the year were as follows:

	2022 No.	2021 No.
Management, engineering, administration and sales	56	11
Production	324	-
Total	380	11

The aggregate payroll costs in the year were as follows:

	2022 £'000	2021 £'000
Wages and salaries	9,631	1,939
Social security costs	973	190
Other pension costs	799	126
Total	11,403	2,255

Directors' emoluments

	2022 £'000	2021 £'000
Aggregate emoluments	331	317
Pension contributions	13	5
Compensation for loss of office	-	-
Total	344	322

Compensation for loss of office was paid to no Directors during the year (2021 nil).

Highest paid Director

	2022 £'000	2021 £'000
Aggregate emoluments	158	317
Pension contributions	9	5
Compensation for loss of office	-	-
Total	167	322

There were benefits accruing to one Director under a money purchase scheme at the year end (2021: one).

The following Directors were not remunerated by AVIC Cabin Systems (UK) Limited during the year ended 31 December 2022: J Dai, L Fan, J Guo & T Xu (2021 M Stoddart, J Dai, L Fan, J Guo, Z Lin, E Payne & T Xu). It is not possible to make a meaningful allocation of their remuneration and therefore no amounts of remuneration are disclosed in this Company.

Notes to the consolidated financial statements *(continued)*

8 Employees *(continued)*

Key management compensation

Key management includes Directors and members of senior management.

	2022 £'000	2021 £'000
Salaries and other short term benefits	472	317
Post-employment benefits	13	5
Compensation for loss of office	-	-
Total	485	322

9 Taxation

Tax (income)/expense included in profit or loss	Note	2022 £'000	2021 £'000
Current tax			
- Current year		-	-
- Adjustments in respect of prior years		-	-
Total current tax		-	-
Deferred tax			
- Origination and reversal of timing differences		66	-
- Adjustments in respect of prior years		3	-
- Impact of changes in tax rate		-	-
Total deferred tax	21	69	-
Taxation		69	-

Reconciliation of taxation (income)/expense

The following table reconciles the theoretical income tax (income)/expense to the reported tax (income)/expense:

	2022 £'000	2021 £'000
Profit / (Loss) before taxation	(7,944)	175
Applying standard rate of UK corporation tax of 19% (2021 19%)	(1,509)	33
Effects of:		
- Expenses not deductible for tax purposes	19	-
- Fixed assets and other timing differences	(17)	-
- Unused tax losses	1,423	(33)
- Adjustments in respect of prior years	15	-
Taxation (credit)/charge	(69)	-

Tax rate changes

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

Notes to the consolidated financial statements (*continued*)

10 Intangible assets

	Computer software £'000	Total £'000
Cost		
At 1 January 2021	-	-
Additions	-	-
Disposals	-	-
Foreign exchange adjustments	-	-
At 31 December 2021	-	-
Additions	53	53
Disposals	-	-
Foreign exchange adjustments	-	-
At 31 December 2022	53	53
Amortisation		
At 1 January 2021	-	-
Amortisation charge	-	-
Disposals	-	-
Impairment	-	-
Foreign exchange adjustments	-	-
At 31 December 2021	-	-
Amortisation charge	(25)	(25)
Disposals	-	-
Impairment	-	-
Foreign exchange adjustments	-	-
At 31 December 2022	(25)	(25)
Net book value		
At 31 December 2022	28	28
At 31 December 2021	-	-

The Group's intangible assets are being amortised on a straight-line basis over their useful lives, 2-5 years (software). Amortisation is included within operating costs in the consolidated income statement.

Notes to the consolidated financial statements (continued)

11 Property, plant and equipment

	Leasehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost					
At 1 January 2021	-	-	-	10	10
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Foreign exchange adjustments	-	-	-	-	-
At 31 December 2021	-	-	-	10	10
Additions	18	849	127	46	1,040
Disposals	-	-	-	-	-
Foreign exchange adjustments	-	-	-	-	-
At 31 December 2022	18	849	127	56	1,050
Depreciation and impairment					
At 1 January 2021	-	-	-	(3)	(3)
Depreciation charge	-	-	-	(3)	(3)
Disposals	-	-	-	-	-
Foreign exchange adjustments	-	-	-	-	-
At 31 December 2021	-	-	-	(6)	(6)
Depreciation charge	(6)	(146)	(30)	(14)	(196)
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Foreign exchange adjustments	-	-	-	-	-
At 31 December 2022	(6)	(146)	(30)	(20)	(202)
Net book value					
At 31 December 2022	12	703	97	36	848
At 31 December 2021	-	-	-	4	4

12 Right-of-use assets

	Leasehold land and buildings £'000	Motor Vehicles £'000	Computer equipment £'000	Total £'000
Cost				
At 31 December 2021	-	-	-	-
Additions	3,535	50	49	3,634
Disposals	-	-	-	-
Foreign exchange	-	-	-	-
At 31 December 2022	3,535	50	49	3,634
Depreciation and impairment				
At 31 December 2021	-	-	-	-
Depreciation charge	(244)	(7)	(31)	(282)
Disposals	-	-	-	-
Foreign exchange	-	-	-	-
At 31 December 2022	(244)	(7)	(31)	(282)
Net book value				
At 31 December 2022	3,291	43	18	3,352
At 31 December 2021	-	-	-	-

Notes to the consolidated financial statements (continued)

13 Inventories

	2022	2021
	£'000	£'000
Raw materials and consumables	6,258	-
Work in progress	5,296	-
Finished goods	147	-
Total	11,701	-

The Group recognised a £458k (2021 nil) provision against inventories to net realisable value as an expense in the year. These costs were included within operating costs in the income statement.

14 Trade and other receivables

	2022	2021
	£'000	£'000
Current		
Amounts due from customers for contract work (contract assets)	280	-
Trade receivables	6,097	-
Prepayments and accrued income	1,273	-
Amounts owed by related parties	3,034	1,995
Other receivables	623	85
	11,307	2,080

Amounts owed by related parties are unsecured, interest free and are repayable on demand.

15 Cash and cash equivalents

	2022	2021
	£'000	£'000
Cash	21,119	31
Short term deposits	-	-
Total cash and cash equivalents	21,119	31

16 Geographical analysis of assets

Analysis of non-current assets by geographical location

	2022	2021
	£'000	£'000
Asset location		
UK	3,972	4
New Zealand	256	-
Non-current assets	4,228	4

Notes to the consolidated financial statements (continued)

17 Loans

	2022 £'000	2021 £'000
Current		
Loan notes – AVIC Cabin Systems Co., Ltd	2,000	-
		-
Total borrowings	2,000	-

Loan notes

This is an unsecured loan note issued by AVIC Cabin Systems Co., Ltd to AVIC Cabin Systems (UK) Limited. Interest is payable upon settlement of the loan note principal and is designated in pound sterling. During the year to 31 December 2022 the average interest rate experienced by the Group was 8.67% (2021 nil). At the balance sheet date £94k of interest was accrued (2021 nil).

The associated annual interest charge in relation to related party loan notes was:

	2022 £'000	2021 £'000
AVIC Cabin Systems Co., Ltd	94	-
Total	94	-

18 Financial risk management

Liquidity risk

The Group'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 Group's cash flows are dependent on the cash profile of its contracts. The Group's balance sheet continues to be managed conservatively and the Group monitors a rolling cash forecast to ensure there is sufficient cash to meet its operational requirements.

Contractual cash flows on financial liabilities

The contracted cash flows on loans and lease liabilities at the reporting date are shown below, classified by maturity. The cash flows are shown on a gross basis and are not discounted.

	2022 contractual cash flows				Total £'000
	Carrying amount £'000	Less than one year £'000	Between one and five years £'000	More than five years £'000	
Loans	(2,000)	(2,000)	-	-	(2,000)
US dollar	-	-	-	-	-
Sterling	(2,000)	(2,000)	-	-	(2,000)
Lease liabilities	(3,654)	(562)	(1,180)	(1,912)	(3,654)

	2021 contractual cash flows				Total £'000
	Carrying amount £'000	Less than one year £'000	Between one and five years £'000	More than five years £'000	
Loans	-	-	-	-	-
US dollar	-	-	-	-	-
Sterling	-	-	-	-	-
Lease liabilities	-	-	-	-	-

Contractual cash flows in respect of all other financial liabilities are equal to the balance sheet carrying amount. Current contractual amounts relating to other financial liabilities, such as trade payables, are settled within the normal operating cycle of the business.

Notes to the consolidated financial statements (*continued*)

18 Financial risk management (*continued*)

Interest rate risk

The AVIC Cabin Systems Co., Ltd loan note is designated in pound sterling and has a fixed interest rate.

Currency risk

The Group is exposed to the effects of changes in foreign currency exchange rates on its financial position and cash flows.

The Group has applied the following exchange rates in its financial statements:

	31 December 2022	31 December 2021
US Dollar	1.2060	1.3536
Euro	1.1306	1.1898
New Zealand Dollar	1.8995	1.9773

The Group is exposed to movements in foreign currency exchange rates in respect of trade receivables held in foreign currencies. The estimated impact on operating profit of a one cent movement in the US dollar exchange rate, a one cent movement in the Euro exchange rate and a one cent movement in the NZ dollar exchange rate on the retranslation of these balances is approximately £28k (2021 nil). The estimated impact of a 5 cent movement would be approximately £142k (2021 nil).

Trade receivables denominated by currency:

	2022 £'000	2021 £'000
US Dollar	2,089	-
Euro	1,236	-
Sterling	2,772	-
Trade receivables	6,097	-

The Group is exposed to movements in foreign currency exchange rates in respect of cash held in foreign currencies.

Cash denominated by currency:

	2022 £'000	2021 £'000
US Dollar	9,167	-
Euro	-	-
Sterling	11,818	31
New Zealand Dollar	134	-
Cash and cash equivalents	21,119	31

The estimated impact on operating profit of a one cent movement in the US dollar exchange rate, a one cent movement in the Euro exchange rate and a one cent movement in the NZ dollar exchange rate on the retranslation of the cash balances is approximately £77k (2021 nil). The estimated impact of a 5 cent movement would be approximately £384k (2021 nil).

The Group is also exposed to movements in foreign exchange rates in respect of the translation of net assets and the income statement of its foreign subsidiary based in New Zealand. The Group does not hedge the translation effect of foreign exchange rate movements.

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. A provision for credit loss has been considered however it has been deemed sufficient not to include a provision for credit loss given the companies history and customer base.

Notes to the consolidated financial statements (continued)

18 Financial risk management (continued)

The ageing of trade receivables is detailed below:

	2022			2021		
	Gross £'000	Provision £'000	Net £'000	Gross £'000	Provision £'000	Net £'000
Not past due and not impaired	2,982	-	2,982	-	-	-
Up to 180 days overdue and not impaired	3,115	-	3,115	-	-	-
Past 180 days overdue and not impaired	-	-	-	-	-	-
Past 180 days overdue and impaired	-	-	-	-	-	-
	6,097	-	6,097	-	-	-

All financial assets, including trade receivable balances are considered to be recoverable with no history of defaults in the past.

The Group adopts a conservative approach to the investment of its surplus cash which is only deposited with financial institutions with strong credit ratings.

The credit quality of cash and cash equivalents is detailed below:

	2022 £'000	2021 £'000
A+	21,119	31
Cash and cash equivalents	21,119	31

19 Lease liabilities

The Group leases offices and factories under non-cancellable operating lease arrangements. These leases have varying terms, including escalation clauses and renewal rights. None of these terms represent unusual arrangements or create material onerous or beneficial rights or obligations. The Group also leases computer equipment and motor vehicles.

The Group is not committed to any future lease payments in respect of leases which had not yet commenced at 31 December 2022.

Residual value guarantees have not been provided by the Group in relation to equipment leases.

	Lease liabilities £'000
At 31 December 2021	-
New leases	3,638
Payments	(94)
Finance costs	110
Disposal of leases	-
Foreign exchange adjustments	-
At 31 December 2022	3,654
Represented by:	
Non-current	3,092
Current	562
	3,654

Notes to the consolidated financial statements (continued)

20 Provisions

	Dilapidations £'000	Onerous contracts £'000	Total £'000
Non-current	-	-	-
Current	-	-	-
At 31 December 2021	-	-	-
Created	1,333	9,748	11,081
Utilised/transferred	-	-	-
Released	-	-	-
Foreign exchange adjustments	-	-	-
At 31 December 2022	1,333	9,748	11,081
Represented by:			
Non-current	1,333	2,500	3,833
Current	-	7,248	7,248
	1,333	9,748	11,081

The provision for onerous contracts relates to contracts that are deemed to be loss making. The full contract loss is provided for when the contract moves into a loss making situation and the provision will be utilised as the contracts reach completion. Management expects the dilapidations provisions to be utilised only at the time of future vacation of the leased premises.

21 Deferred tax

Deferred tax assets and liabilities

	2022		2022		2021		2021
	Assets	Liabilities	Assets		Assets	Liabilities	Assets
	£'000	£'000	£'000		£'000	£'000	£'000
Intangible assets	-	-	-		-	-	-
Tax losses	13	-	13		-	-	-
Other	93	-	93		-	-	-
Deferred tax assets and liabilities	106	-	106		-	-	-

Movement in temporary differences

	At 1 January 2022 £'000	Recognised in income £'000	Recognised in equity ¹ £'000	Foreign exchange adjustments £'000	At 31 December 2022 £'000
Intangible assets	-	-	-	-	-
Property, plant and equipment	-	36	24	-	60
Provisions and accruals	-	33	-	-	33
Tax losses	-	-	13	-	13
	-	69	37	-	106

¹ Deferred tax recognised in equity relates to deferred tax acquired on acquisition of subsidiaries.

	At 1 January 2021 £'000	Recognised in income £'000	Recognised in equity £'000	Foreign exchange adjustments £'000	At 31 December 2021 £'000
Intangible assets	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-
Provisions and accruals	-	-	-	-	-
Tax losses	-	-	-	-	-
	-	-	-	-	-

A deferred tax asset of £1,444k (2021 £nil) primarily relating to tax losses carried forward has not been recognised as management believe it is not currently possible to assess when the related tax benefit through future taxable profit can be realised.

Notes to the consolidated financial statements (continued)

22 Trade and other payables

	2022 £'000	2021 £'000
Current		
Trade payables	5,325	334
Amounts in respect of long-term contracts (contract liabilities)	389	-
Other taxes and social security costs	417	205
Accruals and deferred income	12,420	108
Other payables	129	547
	18,680	1,194

Included within accruals is £94k (2021 nil) of interest due to AVIC Cabin Systems Co., Ltd on the Group's loan notes.

23 Fair value measurement

Carrying amounts and fair values of certain financial instruments

		2022		2021	
	Note	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial instruments measured at fair value					
Current					
Other financial assets		-	-	-	-
Other financial liabilities		-	-	-	-
Financial instruments not measured at fair value					
Non-current					
Lease liabilities		(3,092)	(3,092)	-	-
Current					
Cash and cash equivalents		21,119	21,119	31	31
Lease liabilities		(562)	(562)	-	-
Loans		(2,000)	(2,000)	-	-

All of the financial assets and liabilities measured at fair value are classified as level 1 using the fair value hierarchy. There were no transfers between levels during the year.

Financial assets and liabilities (including cash and cash equivalents, lease liabilities and elements within trade and other receivables and trade and other payables) in the Group's consolidated balance sheet are either held at fair value, or their carrying value approximates to fair value, with the exception of loans, which are held at amortised cost.

24 Issued share capital

	£1 'A' Ordinary shares '000	Nominal value £'000
Issued and fully paid		
At 31 December 2021	500	500
At 31 December 2022	500	500

Equity dividend

No dividend has been paid during the current financial year, and no dividend is proposed (2021 nil).

Notes to the consolidated financial statements (continued)

25 Related party transactions

The Group has a related party relationship with its Directors and key management personnel.

The Group considers key management personnel as defined under IAS24, Related Party Disclosures, to be members of the Group's senior management and the Group's non-executive Directors. Total emoluments for Directors and key management personnel charged to the consolidated income statement are detailed in Note 8 to the consolidated financial statements.

AVIC Cabin Systems (UK) Limited is the parent of the Group in the United Kingdom. The Company's immediate parent is AVIC Cabin Systems Co., Ltd, a Company registered in Hong Kong.

Loan notes held by related parties are disclosed in note 17.

Transactions with related parties are disclosed below:

	2022			
	Sales to related party	Purchases from related party	Amounts owed by related party	Amounts owed to related party
	£'000	£'000	£'000	£'000
Thompson Aero Seating Limited	3,379	1,013	1,722	-
Fesher Aviation Components (Zhenjiang) Company Limited	-	28	-	-
FACC Operations GmbH	-	90	-	-
AVIC Cabin Systems Co., Ltd	5,583	-	1,312	-
	2021			
	Sales to related party	Purchases from related party	Amounts owed by related party	Amounts owed to related party
	£'000	£'000	£'000	£'000
AIM Altitude Limited	-	-	-	63
AIM Altitude UK Limited	-	-	-	49
Thompson Aero Seating Limited	-	-	-	199
Fesher Aviation Components (Zhenjiang) Company Limited	-	-	-	59
FACC Operations GmbH	-	-	-	82
AVIC Cabin Systems Co., Ltd	3,760	-	1,995	-

26 Pensions

The Group operates a number of defined contribution schemes, the assets of which are held in independently administered funds. Contributions to these schemes over the year were £799k (2021 £246k). At the end of the year contributions of £110k (2021 £14k) were outstanding.

27 Analysis of changes in net debt

	Cash and cash equivalents £'000	Loan Notes due within 1 year £'000	Lease liabilities £'000	Total £'000
At 31 December 2020	723	-	-	723
Cash flows	(692)	-	-	(692)
Disposals	-	-	-	-
Finance costs	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2021	31	-	-	31
Cash flows	21,088	(2,000)	94	19,182
New leases	-	-	(3,638)	(3,638)
Finance costs	-	-	(110)	(110)
Disposals	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2022	21,119	(2,000)	(3,654)	15,465

Net debt comprises cash and cash equivalents, less loans and lease liabilities.

Notes to the consolidated financial statements (continued)

28 Contingent liabilities

The company has a contract that includes a liquidated damages clause for late deliveries. The directors believe that it is probable that the products will be delivered on time. For that reason the liquidated damages claim is considered a contingent liability.

29 Controlling parties

The immediate parent undertaking and immediate controlling party of the Company and Group at 31 December 2022 is AVIC Cabin Systems Co., Ltd, a Company registered in Hong Kong.

The ultimate parent undertaking and ultimate controlling party at 31 December 2022 is Aviation Industry Corporation of China, Limited. This is the largest Group to consolidate these financial statements. AVIC Cabin Systems (UK) Limited is the smallest Group to consolidate these results.

Copies of the AVIC Cabin Systems (UK) Limited consolidated financial statements can be obtained from the Company at 1 Viscount Road, Aviation Business Park, Bournemouth International Airport, Hurn, Christchurch, England, BH23 6BU.

30 Information about related undertakings

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries as at 31 December 2022 is disclosed below. The Group's shareholding represents ordinary shares held directly by AVIC Cabin Systems (UK) Limited, and the subsidiary Company's year end is 31 December. Unless otherwise stated, the registered address is 1 Viscount Road, Aviation Business Park, Christchurch, BH23 6BU, UK. Copies of the AVIC Cabin Systems (UK) Limited consolidated financial statements can be obtained from the Company at 1 Viscount Road, Aviation Business Park, Bournemouth International Airport, Hurn, Christchurch, England, BH23 6BU.

No subsidiary undertakings have been excluded from the consolidation.

Subsidiaries – wholly-owned:

Company name	UK Registered number	Percentage of ordinary shares held
AIM Aviation Limited	07275471	100%
Altitude Aerospace Interiors Limited ¹	(New Zealand)	100%
AIM Aviation Inc ²	(USA)	100%

1. Registered address is Isitt House, 1 Leonard Isitt Drive, Mangere, Auckland, New Zealand.

2. Incorporated in Delaware, USA.

31 First-Time adoption of IFRS

During the year the Group changed its basis of preparation in accordance with EU-endorsed International Financial Reporting Standards (IFRS), the Companies Act 2006 applicable to companies reporting under IFRS and IFRS Interpretations Committee (IFRS IC). For accounting periods prior to the year ended 31 December 2022, AVIC Cabin Systems (UK) Limited prepared its accounts in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard Standard 102 Section 1A small entities ("FRS 102 1A"). The Group has reviewed the impact of transition from FRS 102 1A to IFRS on all of its Financial Statements and has concluded that this transition has had no effect on the Group's Financial Position and Financial Performance. Therefore the group has not restated its comparatives as required by IFRS 1 par 21, nor has it been required to show reconciliations of the transition movements as required by IFRS 1 par 24.

Company balance sheet
as at 31 December 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Investments	4	-	-
Property, plant and equipment	5	743	4
Right-of-use assets	6	3,229	-
		3,972	4
Current assets			
Inventories	7	11,701	-
Trade and other receivables	8	11,281	2,080
Deferred tax	9	69	-
Cash and cash equivalents		20,960	31
		44,011	2,111
Total assets		47,983	2,115
Non-current liabilities			
Lease liabilities	10	(3,047)	-
Provisions	11	(3,833)	-
		(6,880)	-
Current liabilities			
Trade and other payables	12	(18,088)	(1,194)
Loans	13	(2,000)	-
Lease liabilities	10	(479)	-
Provisions	11	(7,248)	-
		(27,815)	(1,194)
Total liabilities		(34,695)	(1,194)
Net (liabilities)/assets		13,288	921
Capital and reserves			
Issued share capital	14	500	500
Capital contribution reserve		20,000	-
Accumulated losses		(7,212)	421
Total equity		13,288	921

The Company's total assets less current liabilities at 31 December 2022 was £20,168k (2021 £921k).

The Company's loss for the year was £7,633k (2021 £175k profit).

The financial statements on pages 37 to 49 were approved by the Board of Directors on May 16, 2023 and signed on its behalf by:

M. A. Stoddart

M Stoddart
Director

Registered number: 11577055

Company statement of changes in equity
for the year ended 31 December 2022

	Issued share capital £'000	Capital contribution reserve £'000	Retained earnings/ (Accumulated losses) £'000	Total equity £'000
At 31 December 2021	500	-	421	921
Loss for the year	-	-	(7,633)	(7,633)
Capital contributions	-	20,000	-	20,000
Total comprehensive income/(expense) for the year	-	20,000	(7,633)	12,367
At 31 December 2022	500	20,000	(7,212)	13,288

Capital contribution reserve

The Capital contribution reserve represents additional non refundable contributions made to the company by its parent undertaking.

Notes to the Company financial statements

1 Accounting policies

General Information

AVIC Cabin Systems (UK) Limited is a private Company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is 1 Viscount Road, Aviation Business Park, Bournemouth International Airport, Hurn, Christchurch, England, BH23 6BU.

Statement of compliance

The Company financial statements of AVIC Cabin Systems (UK) Limited have been prepared on a going concern basis, as discussed in the Directors' report on page 7, in accordance with EU-endorsed International Financial Reporting Standards (IFRS), the Companies Act 2006 applicable to companies reporting under IFRS and IFRS Interpretations Committee (IFRS IC). For accounting periods prior to the year ended 31 December 2022 AVIC Cabin Systems (UK) Limited prepared its accounts in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard Standard 102 Section 1A small entities ("FRS 102 1A"), but made an election during the current year to adopt IFRS. The impact of the first time adoption of IFRS has been discussed further in note 31 to the consolidated accounts. The accounting policies applied in the preparation of these Company financial statements are set out below. These policies have been consistently applied to all of the years presented, unless otherwise stated.

Basis of preparation

The Company financial statements of AVIC Cabin Systems (UK) Limited have been prepared on a going concern basis, and in accordance with applicable accounting standards.

The Company financial statements are presented in pounds sterling and, unless stated otherwise, rounded to the nearest one thousand. They have been prepared under the historical cost convention, as modified by the revaluation of derivative financial assets and financial liabilities.

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.

In accordance with Section 408(3) of the Companies Act 2006, the Company is exempt from the requirement to present its own income statement.

The Company has also taken advantage of the exemptions provided under FRS 101 from preparing a statement of cash flows on the grounds that it is a qualifying entity.

Going concern

The Directors have formed a judgement, at the time of approving these financial statements, that there is a reasonable expectation that the Company will have 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 May 2024.

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 May 2024 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 sufficient cash is available to the Company to continue to operate throughout the forecast period and therefore the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Change to accounting policies

The following standards, interpretations and amendments to existing standards became effective on 1 January 2022 and have not had a material impact on the Group:

- Amendments to References to the Conceptual Framework in IFRS Standards, effective 1 January 2022;
- Amendments to IAS 16, Property, Plant and Equipment – Proceeds before Intended Use, effective date 1 January 2022;
- Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract, effective from 1 January 2022;
- Annual Improvements to IFRS Standards 2018-2022 Cycle, effective from 1 January 2022.

The following other standards, interpretations and amendments to existing standards have been issued but were not mandatory for accounting periods beginning on 1 January 2022 and are not expected to have a material impact on the Group:

- Amendments to IAS 1, Classification of Liabilities as Current or Non-current, effective from 1 January 2024;
- Amendments to IAS 8, Definition of Accounting Estimates, effective from 1 January 2023;
- Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction, effective from 1 January 2023;
- Amendments to IFRS 16, Lease Liability in a Sale and Leaseback, effective from 1 January 2024;
- Amendments to IFRS 17: Insurance Contracts, effective from 1 January 2023

Notes to the Company financial statements (*continued*)

1 Accounting policies (*continued*)

Revenue recognition

IFRS 15, Revenue from Contracts with Customers, 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 Company has a small number of contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company adjusts the transaction prices for the time value of money.

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

Revenue is recognised as performance obligations are satisfied as control of the goods and services is transferred to the customer. A receivable is recognised at this point because only the passage of time is required before the payment is due.

For each performance obligation within a contract, the Company determines whether it is satisfied over time or at a point in time. Performance obligations are satisfied over time if one of the following criteria is satisfied:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as it performs;
- the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; 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.

The Company has determined that the non-recurring design element of the Company's contracts usually satisfies the over time criteria because the customer simultaneously receives and consumes the benefits provided by the Company's performance as it performs.

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.

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.

The Company's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision, see note 9.

The Company also recognises revenue from recharging costs incurred throughout the period to the Company's parent Company, AVIC Cabin System Co. Limited, incorporated in Hong Kong.

Notes to the Company financial statements (continued)

1 Accounting policies (continued)

Financial Instruments

Basic financial assets, including trade and other receivables, and cash and bank balances, are initially recognised at transaction price and subsequently at amortised cost. At the end of each accounting period these assets are assessed for objective evidence of impairment, and loss arising being recognised in the profit or loss. 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.

Lease costs - Lessees

At inception of a contract, the Company assesses whether a contract is or contains a lease. If it is deemed a contract contains a lease, the Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured as the present value of future lease payments, discounted using the interest rate implicit in the lease. Where this rate is not determinable, the Company's incremental borrowing rate is used, which is the interest rate the Company would have to pay to borrow the amount necessary to obtain an asset of similar value, in a similar economic environment with similar terms and conditions.

The right-of-use asset is initially measured at cost, comprising the initial value of the lease liability, any lease payments made (net of any incentives received from the lessor) before the commencement of the lease, any initial direct costs and any restoration costs. Payments in respect of short-term leases, low-value leases and leases of intangible assets continue to be charged to the income statement on a straight-line basis over the lease term.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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 and impairment. 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.

Assets in the course of construction are not depreciated until brought into operational use, at which point they are transferred to the appropriate asset category.

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

Leasehold buildings	Amortised over term of lease
Plant and machinery	Between 4 and 13 years
Fixtures and fittings	Between 4 and 13 years
Computer equipment	4 years

Notes to the Company financial statements (continued)

1 Accounting policies (continued)

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 between two and five years, on a straight line basis.

Research and development

Research and development expenditure not meeting the conditions for capitalisation 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.

Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, 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.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. The Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Taxation

The taxation charge is based on the Company's profit or loss for the period and takes into account current and deferred taxation.

Current taxation relates to the amounts payable to tax authorities in respect of the Company's taxable profits and is based on an interpretation of current tax laws.

Deferred tax is recognised on all timing differences, on a non-discounted basis, where transactions or events that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date.

Deferred tax assets are recognised when it is more likely than not that they will be recovered.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on the sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Foreign currency

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date. Foreign currency gains and losses resulting from the settlement of transactions and from the translation of period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Notes to the Company financial statements (continued)

1 Accounting policies (continued)

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 and maintain an optimal capital structure to reduce the cost of capital.

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.

Investments in subsidiary undertakings and participating interests

Fixed asset investments in shares in subsidiary undertakings and participating interests are stated at cost less provision for impairment.

2 Critical accounting estimates and judgements

The preparation of the financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. 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.

Judgements

Management exercised judgement on how to account for the purchase of plant and machinery, stock and intellectual property from AIM Altitude Limited and AIM Altitude UK Limited. This was treated as a purchase of assets and not a business combination.

The Company holds provisions for expected contractual costs that it expects to incur. Management exercises judgement to determine the amount of these provisions. Provision is made for known issues based on past experience of similar items and other known factors. Each provision is considered separately and the amount provided reflects the best estimate of the most likely amount, being the single most likely amount in a range of possible outcomes.

Estimates

i) Provisions

Provision is made for dilapidations. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish the net present value of the obligations require management's judgement.

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.

Management regularly reviews the financial performance and profitability of the Group's contracts. Provision is made for onerous contracts where the costs to fulfil the terms of the contract are higher than the expected benefits.

Provision is made for obsolete and slow-moving inventory that is not expected to be sold. Management prepares regular sales forecasts to help estimate whether the inventory will be sold.

Management reviews regularly the expected recoverability of the balance of work in progress held in inventory based on their best estimate of the costs to complete a project, and any impairment is made in the period in which it is identified.

Management reviews and assesses each month the recoverability of the Group's trade debtors. Provision is made for doubtful debt where the Directors believe that there is a material risk that a debt may not be recovered.

iii) IFRS15 Accounting

The value of revenue and profit recognised from long-term contracts is reviewed regularly by management based on their best estimate of the full cost to complete each project and their assessment of any loss making contracts.

iv) The Company's incremental borrowing rate

Where the interest rate implicit in a lease is not available, the Company's incremental borrowing rate is used to discount future cash flows in order to determine the lease liability and right-of-use asset for lease arrangements. This rate can have a significant impact of the value of the lease liability and right-of-use asset. The weighted average incremental borrowing rate applied to lease liabilities on implementation of IFRS 16 was 5%. The lease liability on adoption of IFRS 16 at 1 January 2022 was nil.

Notes to the Company financial statements (continued)

3 Operating costs

Note 4 to the consolidated financial statements discloses the fees payable to the Company's auditor for the audit of the Company's Annual report and financial statements.

4 Investments

	Subsidiary undertakings £
Cost	
At 1 January 2022	-
New investments	3
At 31 December 2022	3
Accumulated impairment	
At 1 January 2022	-
Impairment charge	-
At 31 December 2022	-
Net book value	
At 1 January 2022	-
At 31 December 2022	3

The Company conducts an annual impairment review of the carrying value of its investments. The recoverable amount is based on net assets of the subsidiary at the balance sheet date. In accordance with Section 409 of the Companies Act 2006, a full list of the Company's subsidiaries is included in note 30 to the Consolidated Financial Statements.

5 Property, plant and equipment

	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2021	-	-	10	10
Additions	-	-	-	-
Transfers	-	-	-	-
Disposals	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2021	-	-	10	10
Additions	713	127	46	886
Transfers	-	-	-	-
Disposals	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2022	713	127	56	896
Depreciation and impairment				
At 1 January 2021	-	-	(3)	(3)
Depreciation charge	-	-	(3)	(3)
Disposals	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2021	-	-	(6)	(6)
Depreciation charge	(103)	(30)	(14)	(147)
Disposals	-	-	-	-
Impairment	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2022	(103)	(30)	(20)	(153)
Net book value				
At 31 December 2022	610	97	36	743
At 31 December 2021	-	-	4	4

Notes to the Company financial statements (continued)

6 Right-of-use assets

	Leasehold land and buildings £'000	Motor Vehicles £'000	Computer equipment £'000	Total £'000
Cost				
At 31 December 2021	-	-	-	-
Additions	3,337	50	47	3,434
Disposals	-	-	-	-
Foreign exchange	-	-	-	-
At 31 December 2022	3,337	50	47	3,434
Depreciation and impairment				
At 31 December 2021	-	-	-	-
Depreciation charge	(168)	(7)	(30)	(205)
Disposals	-	-	-	-
Foreign exchange	-	-	-	-
At 31 December 2022	(168)	(7)	(30)	(205)
Net book value				
At 31 December 2022	3,169	43	17	3,229
At 31 December 2021	-	-	-	-

7 Inventories

	2022 £'000	2021 £'000
Raw materials and consumables	6,258	-
Work in progress	5,296	-
Finished goods	147	-
Total	11,701	-

The Company recognised a £458k (2021 nil) provision against inventories to net realisable value as an expense in the year. These costs were included within operating costs in the income statement.

8 Trade and other receivables

	2022 £'000	2021 £'000
Current		
Amounts due from customers for contract work (contract assets)	293	-
Trade receivables	6,097	-
Prepayments and accrued income	1,232	-
Amounts owed by related parties	3,043	1,995
Other receivables	616	85
	11,281	2,080

Amounts owed by related parties are unsecured, interest free and are repayable on demand.

Notes to the Company financial statements (continued)

9 Deferred tax

Deferred tax assets and liabilities

	2022		2022		2021		2021
	Assets	Liabilities	Assets		Assets	Liabilities	Assets
	£'000	£'000	£'000		£'000	£'000	£'000
Tax losses	-	-	-		-	-	-
Other	69	-	-		-	-	-
Deferred tax assets and liabilities	69	-	69		-	-	-

Movement in temporary differences

	At 1 January 2022 £'000	Recognised in income £'000	Recognised in equity ¹ £'000	Foreign exchange adjustments £'000	At 31 December 2022 £'000
Property, plant and equipment	-	36	-	-	36
Provisions and accruals	-	33	-	-	33
Tax losses	-	-	-	-	-
	-	69	-	-	69

¹ Deferred tax recognised in equity relates to deferred tax acquired on acquisition of subsidiaries.

	At 1 January 2021 £'000	Recognised in income £'000	Recognised in equity £'000	Foreign exchange adjustments £'000	At 31 December 2021 £'000
Property, plant and equipment	-	-	-	-	-
Provisions and accruals	-	-	-	-	-
Tax losses	-	-	-	-	-
	-	-	-	-	-

A deferred tax asset of £1,444k (2021 £nil) primarily relating to tax losses carried forward has not been recognised as management believe it is not currently possible to assess when the related tax benefit through future taxable profit can be realised.

10 Lease liabilities

The Company leases offices and factories under non-cancellable operating lease arrangements. These leases have varying terms, including escalation clauses and renewal rights. None of these terms represent unusual arrangements or create material onerous or beneficial rights or obligations. The Company also leases computer equipment and motor vehicles.

The company is not committed to any future lease payments in respect of leases which had not yet commenced at 31 December 2022.

Residual value guarantees have not been provided by the Company in relation to equipment leases.

	Lease liabilities £'000
At 31 December 2021	-
New leases	3,436
Payments	(9)
Finance costs	99
Disposal of leases	-
Foreign exchange adjustments	-
At 31 December 2022	3,526
Represented by:	
Non-current	3,047
Current	479
	3,526

Notes to the Company financial statements (continued)

11 Provisions

	Dilapidations £'000	Onerous contracts £'000	Total £'000
Non-current	-	-	-
Current	-	-	-
At 31 December 2021	-	-	-
Created	1,333	9,748	11,081
Released	-	-	-
At 31 December 2022	1,333	9,748	11,081
Represented by:			
Non-current	1,333	2,500	3,833
Current	-	7,248	7,248
	1,333	9,748	11,081

The provision for onerous contracts relates to contracts that are deemed to be loss making. The full contract loss is provided for when the contract moves into a loss making situation and the provision will be utilised as the contracts reach completion. Management expects the dilapidations provisions to be utilised only at the time of future vacation of the leased premises.

12 Trade and other payables

	2022 £'000	2021 £'000
Trade payables	5,320	334
Amounts due in respect of long-term contracts (contract liabilities)	389	-
Amounts owed to related parties	23	533
Taxation and social security	417	205
Accruals and deferred income	11,900	108
Other payables	39	14
	18,088	1,194

Included within accruals is £94k due to AVIC Cabin Systems Co., Ltd on the Group's loan notes (2021 nil). Amounts owed to related parties are unsecured, interest free and are repayable on demand.

13 Loans

	2022 £'000	2021 £'000
Current		
Loan notes – AVIC Cabin Systems Co., Ltd	2,000	-
Total Borrowings	2,000	-

Loan notes

This is an unsecured loan note issued by AVIC Cabin Systems Co., Ltd to AVIC Cabin Systems (UK) Limited. Interest is payable upon settlement of the loan note principal and is designated in pound sterling. During the year to 31 December 2022 the average interest rate experienced by the Company was 8.84% (2021 nil). At the balance sheet date £94k of interest was accrued (2021 nil).

The associated annual interest charge in relation to related party loan notes was:

	2022 £'000	2021 £'000
AVIC Cabin System Co., Ltd	94	-
Total	94	-

Notes to the Company financial statements (continued)

14 Issued share capital

	£0.01 'A' Ordinary shares '000	Nominal value £'000
Issued and fully paid		
At 1 January 2022	500	500
At 31 December 2022	500	500

Equity dividends

No dividend has been paid during the current financial year, and no dividend is proposed (2021 nil).

15 Related party transactions

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

The Company considers key management personnel to be members of the Company's senior management and the Company's non-executive Directors. Total emoluments for Directors and key management personnel are detailed in Note 8 to the consolidated financial statements.

AVIC Cabin Systems (UK) Limited is the parent of the Group in the United Kingdom. The Company's immediate parent is AVIC Cabin Systems Co., Ltd, a Company registered in Hong Kong.

Loan notes held by related parties are disclosed in note 13.

The Company is exempt from disclosing related party transactions as they are with other companies that are wholly owned within the Group.

Transactions with related parties are disclosed below:

	2022			
	Sales to related party	Purchases from related party	Amounts owed by related party	Amounts owed to related party
	£'000	£'000	£'000	£'000
Thompson Aero Seating Limited	3,379	1,013	1,722	-
Fesher Aviation Components (Zhenjiang) Company Limited	-	28	-	-
FACC Operations GmbH	-	90	-	-
AVIC Cabin Systems Co., Ltd	5,583	-	1,312	-
	2021			
	Sales to related party	Purchases from related party	Amounts owed by related party	Amounts owed to related party
	£'000	£'000	£'000	£'000
AIM Altitude Limited	-	-	-	63
AIM Altitude UK Limited	-	-	-	49
Thompson Aero Seating Limited	-	-	-	199
Fesher Aviation Components (Zhenjiang) Company Limited	-	-	-	59
FACC Operations GmbH	-	-	-	82
AVIC Cabin Systems Co., Ltd	3,760	-	1,995	-

Notes to the Company financial statements (continued)

16 Employees

The average monthly number of employees (including executive Directors) by activity employed during the year were as follows:

	2022	2021
	No.	No.
Management, engineering, administration and sales	52	11
Production	310	-
Total	362	11

The aggregate payroll costs in the year were as follows:

	2022	2021
	£'000	£'000
Wages and salaries	9,451	1,939
Social security costs	973	190
Other pension costs	768	126
Total	11,192	2,255

See note 8 to the consolidated financial statements for details on Directors' emoluments and the highest paid Director. These emoluments were paid for their services on behalf of the AVIC Cabin Systems (UK) Limited Group.

17 Pensions

The Company operates a defined contribution scheme, the assets of which are held in independently administered funds. Contributions to this scheme over the year were £768k (2021 £246k). At the end of the year contributions of £108k (2021 £14k) were outstanding.

18 Contingent liabilities

See note 28 to the consolidated financial statements for details of contingent liabilities relevant to the Company.

19 Controlling parties

The immediate parent undertaking and immediate controlling party of the Company and Group at 31 December 2022 is AVIC Cabin Systems Co., Ltd, a Company registered in Hong Kong.

The ultimate parent undertaking and ultimate controlling party at 31 December 2022 is Aviation Industry Corporation of China, Limited. This is the largest Group to consolidate these financial statements. AVIC Cabin Systems (UK) Limited is the smallest Group to consolidate these results.

AVIC Cabin Systems (UK) Limited is the smallest Group to consolidate these results.

Copies of the AVIC Cabin Systems (UK) Limited consolidated financial statements can be obtained from the Company at 1 Viscount Road, Aviation Business Park, Bournemouth International Airport, Hurn, Christchurch, England, BH23 6BU.