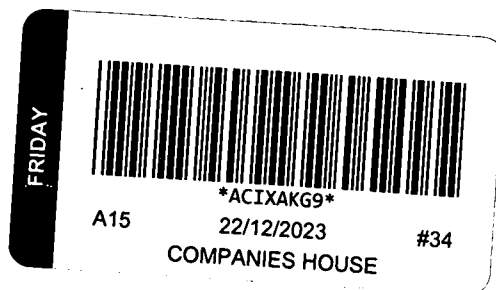


Company Registration No. 01934202 (England and Wales)

STG AEROSPACE LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022



STG AEROSPACE LTD

COMPANY INFORMATION

Directors	Mr Daniel DiPiazza Mr Kevin Hammond Mr Robert Harshaw Mr Derrick Preston	(Appointed 11 August 2022) (Appointed 11 August 2022) (Appointed 11 August 2022) (Appointed 11 August 2022)
Secretary	Mrs Renee Rump	
Company number	01934202	
Registered office	Brecon House William Brown Close Llantarnam Industrial Park Cwmbran Wales NP44 3AB	
Auditor	Grant Thornton UK LLP 3 Callaghan Square Cardiff CF10 5BT	

STG AEROSPACE LTD

CONTENTS

	Page
Strategic report	1 - 3
Directors' report	4 - 5
Independent auditor's report	6 - 9
Statement of comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13 - 26

STG AEROSPACE LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors of STG Aerospace Ltd (STG, or the company), are pleased to present their strategic report on the affairs of the company, along with their directors' report, the audited financial statements and the auditor's report for the year ended 31 December 2022.

Strategy and business model

STG's objectives are to maximise value for customers. We build on decades of success in safety and lighting within Aviation. The company is proud to be an agile and innovative team who drive value for all stakeholders (including company personnel, customers, shareholders and the global community). The company's strategy is focused on delivering unparalleled customer experience combined with proactive and honest technical advice, ensuring operational excellence and developing proprietary products that provide the platform for securing long term growth.

STG is a pioneer in the development of innovative lighting technologies, "WE ARE INNOVATORS IN LIGHT". STG provides complementary products utilising Photoluminescent (PL) or LED lighting technologies for commercial cabin interiors, military signage and night vision applications.

STG understands the challenges faced by today's leading original equipment manufacturers, airlines and maintenance and repair organisations - allowing them to push the boundaries in technology and product applications. "WE SOLVE CUSTOMERS PROBLEMS".

STG delivers unparalleled customer experience combined with proactive and honest technical advice. "WE ARE A TRUSTED ADVISOR".

The strategy of the company is to:

- Develop next generation lighting products which provide a positive ROI for its customers;
- Continue to lead and grow its market share of emergency exit marking systems applications;
- Develop and strengthen its fast growing cabin lighting systems applications; and
- Continue to innovate, secure IP, and provide an exciting and rewarding work environment to attract and retain talented staff.

Review of the business and future activities

During 2022, the group was acquired by Heads Up Technologies Inc., an aerospace company, headquartered in Dallas. This acquisition looks to enhance our offer to the industry as a whole, combining top engineering skills with agile customer service protocols, providing a powerful combination for our markets.

The results for the company are set up on page 10 and show Sales of £12.2m (2021: £9.1m) and net profit after tax of £5.3m (2021: £2.3m). These increases are due to the continuing recovery of the aerospace industry from COVID 19 through 2022 and in particular, the return of narrow body fleet to service. Early on in 2022, the recovery from COVID was well under way in all but the China market, with revenue passenger kilometres (RPK) expected to recover to 2019 levels in Q4 2023.

STG AEROSPACE LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Key performance indicators (KPIs)

The Directors manage the company based on its KPIs. These are specifically sales, gross margin, net margin and working capital.

Aerospace (£) revenues have increased by 30% this year with operating profits also up due to return of volumes and strict internal cost management.

Working capital remains adequate for all forecast activities and based on current forecasts the directors are confident the company will remain profitable with a positive liquidity position for the foreseeable future.

Financial risk management, objectives, and policies

The company is exposed to several financial risks and has an on-going risk management programme which is reviewed regularly by the board of directors.

The main financial risks identified are:

- Currency risk

The company conducts its business principally in Sterling and US Dollars. The risk of exposure on the margin is managed by natural hedging in each currency matching inflows with outflows where possible as well as forward contracts transacted with commercial banks. The directors continue to monitor and review FX risk and strategy on a quarterly basis.

- Liquidity and cash flow risk

The company constantly reviews and forecasts its cash balances to ensure that it has sufficient cash to meet all of its operational needs. The company has no borrowings, and all the cash reserves are instantly accessible.

- Credit risk

The company's principal financial assets are cash and trade debtors. The company's cash balances are held with banking partners who have high credit ratings and are deemed secure. Therefore, the principal risk comes from trade debtors.

Every customer is set a credit limit by the directors after consideration of third-party references and previous payment history. The finance department reviews the limits regularly in light of the aged debtors and collection data.

STG AEROSPACE LTD

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Principal risks and uncertainties

The key business risks affecting the company are set out below:

- COVID-19 Risk

The company operates in the Global Aerospace market which continues to be impacted by the ongoing COVID-19 pandemic. The market, driven by lower flight traffic & passenger numbers, is expected to remain at a subdued level for several more years. The actions implemented in prior year regarding health and safety measures continue to allow the business to satisfy customer demand and keep staff safe.

- Supply chain

The company sources its suppliers principally from Europe and the US. The company has established long term relationships with core suppliers to mitigate fluctuations in supply. The company operates a strict supply chain vetting system and maintains appropriate insurance on key suppliers.

Due to the ongoing risks of global supply chain disruption, the company continues to hold increased stock levels to mitigate worst case outcomes and ensure production is unaffected.

- IP infringement

The company is very proactive over its global IP and has mature systems in place to monitor, report and act on any potential infringement.

Risks are reviewed by the board regularly and appropriate actions are taken to mitigate them.

On behalf of the board

Robert Harshaw

.....
Mr Robert Harshaw

Director

19/12/2023
.....

STG AEROSPACE LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the company continued to be that of design, manufacture and marketing of aviation safety, security and lighting products.

Results and dividends

The results for the year are set out on page 10.

An interim dividend of £10,000,000 (2021 - £1,500,000) was paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Dr Sean O'Kell	(Resigned 11 August 2022)
Mrs Tessa Evans	(Resigned 11 August 2022)
Mr Iain Rae	(Resigned 11 August 2022)
Mr Grant Bennett	(Resigned 11 August 2022)
Mr Paul Strothers MBE	(Resigned 11 August 2022)
Mr Mark Lipyeat	(Resigned 11 August 2022)
Mr David Llewellyn	(Resigned 11 August 2022)
Mr Daniel DiPiazza	(Appointed 11 August 2022)
Mr Kevin Hammond	(Appointed 11 August 2022)
Mr Robert Harshaw	(Appointed 11 August 2022)
Mr Derrick Preston	(Appointed 11 August 2022)

Research and development

The company will continue its policy of investment in research and development in order to retain a competitive position in the market.

Auditor

In accordance with the company's articles, a resolution proposing that Grant Thornton UK LLP be reappointed as auditor of the company will be put at a General Meeting.

STG AEROSPACE LTD

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard available in the UK and Republic of Ireland'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Medium-sized companies exemption

This report has been prepared in accordance with the provisions applicable to companies entitled to the medium-sized companies exemption.

On behalf of the board

Robert Harshaw

.....
Mr Robert Harshaw
Director

Date: 19/12/2023
.....

STG AEROSPACE LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STG AEROSPACE LTD

Opinion

We have audited the financial statements of STG Aerospace Ltd (the 'company') for the year ended 31 December 2022 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as current inflationary pressures, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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

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

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

STG AEROSPACE LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF STG AEROSPACE LTD

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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which are required to report by exception

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

STG AEROSPACE LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF STG AEROSPACE LTD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

- We obtained an understanding of how the Company is complying with significant legal and regulatory frameworks through inquiries of management;
- The Company is subject to many laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. We identified Financial Reporting Standard 102 and the Companies Act 2006, along with legislation relating to employment, health & safety, data protection and environmental issues, as those most likely to have a material effect if non-compliance were to occur;
- We communicated relevant laws and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. We considered the opportunity and incentives for management to perpetrate fraud, and the potential impact on the financial statements;
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Company's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
 - the Company's control environment;
 - the Company's relevant controls over areas of significant risks; and
 - the Company's business processes in respect of classes of transactions that are significant to the financial statements.
- Audit procedures performed by the engagement team included:
 - identifying the significant risk of fraud within revenue recognition and undertaking substantive testing to obtain sufficient and appropriate audit evidence;
 - testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions; and
 - identifying and testing related party transactions.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

STG AEROSPACE LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF STG AEROSPACE LTD

- Assessment of the appropriateness of the collective competence and capabilities of the engagement team, included:
 - consideration of the engagement team's understanding of, and practical experience with, audit engagements of a similar nature and complexity;
 - appropriate training, knowledge of the industry in which the Company operates; and
 - understanding of the legal and regulatory requirements specific to the Company.

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 our 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.

Grant Thornton UK LLP
Rhian Owen
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cardiff
Date 19/12/2023

STG AEROSPACE LTD**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 £	2021 £
Turnover	3	12,167,112	9,134,607
Cost of sales		(6,667,065)	(5,561,929)
Gross profit		5,500,047	3,572,678
Administrative expenses		(1,681,213)	(1,167,243)
Other operating income		72,986	-
Operating profit	4	3,891,820	2,405,435
Interest receivable and similar income	7	1,440,674	300,870
Amounts written off investments	6	-	(53,351)
Fair value gains/(losses) on foreign exchange contracts		-	(80,084)
Profit before taxation		5,332,494	2,572,870
Tax on profit	9	8,300	(238,080)
Profit for the financial year		5,340,794	2,334,790
Total comprehensive income for the year		5,340,794	2,334,790

The statement of total comprehensive income has been prepared on the basis that all operations are continuing operations.

The notes on pages 13 to 26 form part of these financial statements.

STG AEROSPACE LTD**BALANCE SHEET****AS AT 31 DECEMBER 2022**

	Notes	2022		2021	
		£	£	£	£
Fixed assets					
Tangible assets	10		1,122,659		1,196,036
Investments	11		21,656		21,731
			<u>1,144,315</u>		<u>1,217,767</u>
Current assets					
Stocks	13	2,243,974		2,045,928	
Debtors	14	4,201,052		4,791,109	
Cash at bank and in hand		753,949		2,749,276	
		<u>7,198,975</u>		<u>9,586,313</u>	
Creditors: amounts falling due within one year	15	(3,033,977)		(807,967)	
Net current assets			<u>4,164,998</u>		<u>8,778,346</u>
Total assets less current liabilities			<u>5,309,313</u>		<u>9,996,113</u>
Provisions for liabilities					
Provisions	16	71,126		90,420	
Deferred tax liability	17	190,852		199,152	
		<u>(261,978)</u>		<u>(289,572)</u>	
Net assets			<u>5,047,335</u>		<u>9,706,541</u>
Capital and reserves					
Called up share capital	18		100		100
Profit and loss reserves			<u>5,047,235</u>		<u>9,706,441</u>
Total equity			<u>5,047,335</u>		<u>9,706,541</u>

19/12/2023

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

Robert Harshaw

Mr Robert Harshaw
Director

Company Registration No. 01934202

The notes on pages 13 to 26 form part of these financial statements.

STG AEROSPACE LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2021		100	8,871,651	8,871,751
Year ended 31 December 2021:				
Profit and total comprehensive income for the year		-	2,334,790	2,334,790
Dividends	8	-	(1,500,000)	(1,500,000)
Balance at 31 December 2021		100	9,706,441	9,706,541
Year ended 31 December 2022:				
Profit and total comprehensive income for the year		-	5,340,794	5,340,794
Dividends	8	-	(10,000,000)	(10,000,000)
Balance at 31 December 2022		100	5,047,235	5,047,335

The notes on pages 13 to 26 form part of these financial statements.

STG AEROSPACE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

STG Aerospace Ltd is a private company limited by shares incorporated in England and Wales. The registered number is 01934202. The registered office is Brecon House, William Brown Close, Llantarnam Industrial Park, Cwmbran, Wales, NP44 3AB.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

STG Aerospace Ltd is a wholly owned subsidiary of Saf-T-Glo Limited which is a wholly owned subsidiary of JLL HUT (UK) Limited. The results of STG Aerospace Ltd are included in the consolidated financial statements of JLL HUT (UK) Limited which are available at the registered office.

1.2 Going concern

The company meets its day to day working capital requirements using cash reserves held at bank. The company does not have any bank debt owing.

The directors confirm that COVID-19 has not had as significant an impact on the revenues and operating profits of the Company for 2022. The Company has reviewed available Customer and market data and has prepared updated forecasts for 2023 and 2024. These include downside scenarios of projected cash flow information for the period ending 12 months from the date of their approval of these financial statements.

On the basis of the improved trading conditions, 2021 and 2022 results and the 2023 forecasts as well as the bank balances retained by the company, the directors consider that the company has sufficient cash in place to meet all future trading requirements and to maintain STG Aerospace Limited as a going concern.

On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

STG AEROSPACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.3 Turnover

The company's turnover represents the value, excluding Value Added Tax, of goods and services supplied to customers during the year. Turnover is recognised at the date of despatch of the goods sold.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Over the term of the lease
Plant and machinery	15 years straight line basis
Fixtures, fittings & equipment	10 years straight line basis
Computer equipment	4 years straight line basis
Motor vehicles	3 years straight line basis

STG AEROSPACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.5 Tangible fixed assets (cont.)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

STG AEROSPACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.8 Stocks (cont.)

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

STG AEROSPACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.10 Financial instruments (cont.)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

STG AEROSPACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

1.10 Financial instruments (cont.)

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of total comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of total comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

STG AEROSPACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.14 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.17 Government grants

Government grants towards staff training costs are recognised as income over the periods necessary to match them with related costs and are deducted in reporting the related expense.

Government grants relating to property, plant and equipment are treated as deferred income and released to profit or loss over the expected useful lives of the assets concerned.

1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The directors do not consider there to be any material judgements or estimates applicable to STG Aerospace Limited.

STG AEROSPACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

3 Turnover

An analysis of the company's turnover is as follows:

	2022	2021
	£	£
Turnover		
Design, manufacture and marketing aviation safety, security and lighting products	12,167,112	9,134,607

Turnover analysed by geographical market

An analysis of turnover by geographical location has not been given as the directors believe this to be commercially sensitive information.

4 Operating profit

	2022	2021
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	388,117	151,989
Research and development costs	150,082	194,341
Fees payable to the company's auditor for the audit of the company's financial statements	33,000	31,000
Depreciation of owned tangible fixed assets	189,128	180,752
Profit on disposal of tangible fixed assets	(597)	-
Operating lease charges	129,964	128,436

5 Employees

Directors and employees remuneration is borne by the parent company.

6 Amounts written off investments

	2022	2021
	£	£
Amounts written back to current loans	-	121,649
Other gains and losses	-	(175,000)
	-	(53,351)

STG AEROSPACE LTD**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
FOR THE YEAR ENDED 31 DECEMBER 2022

7	Interest receivable and similar income		
		2022	2021
		£	£
	Interest income		
	Interest on bank deposits	-	496
	Income from fixed asset investments		
	Income from shares in group undertakings	1,440,674	300,374
	Total income	<u>1,440,674</u>	<u>300,870</u>
8	Dividends		
		2022	2021
		£	£
	Interim paid	<u>10,000,000</u>	<u>1,500,000</u>
9	Taxation		
		2022	2021
		£	£
	Current tax		
	UK corporation tax on profits for the current period	-	232,088
	Deferred tax		
	Origination and reversal of timing differences	<u>(8,300)</u>	<u>5,992</u>
	Total tax (credit)/charge	<u>(8,300)</u>	<u>238,080</u>

STG AEROSPACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

9 Taxation

(Continued)

The actual (credit)/charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £	2021 £
Profit before taxation	5,332,494	2,572,870
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	1,013,174	488,845
Tax effect of expenses that are not deductible in determining taxable profit	(15,328)	(235)
Tax effect of income not taxable in determining taxable profit	-	(23,114)
Unutilised tax losses carried forward	-	33,250
Group relief	(504,331)	-
Permanent capital allowances in excess of depreciation	2,165	(14,161)
Research and development tax credit	(221,952)	(195,426)
Deferred tax adjustments	(8,300)	5,992
Dividend income	(273,728)	(57,071)
Tax (credit)/expense for the year	(8,300)	238,080

10 Tangible fixed assets

	Leasehold improvements	Plant and machinery	Fixtures, fittings & equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 January 2022	196,019	1,490,143	81,247	459,834	11,990	2,239,233
Additions	-	67,746	1,434	51,574	-	120,754
Disposals	-	(9,942)	(2,960)	(18,328)	-	(31,230)
At 31 December 2022	196,019	1,547,947	79,721	493,080	11,990	2,328,757
Depreciation and impairment						
At 1 January 2022	79,786	573,828	52,434	336,483	666	1,043,197
Depreciation charged in the year	17,109	90,512	6,025	71,485	3,997	189,128
Eliminated in respect of disposals	-	(4,939)	(2,960)	(18,328)	-	(26,227)
At 31 December 2022	96,895	659,401	55,499	389,640	4,663	1,206,098
Carrying amount						
At 31 December 2022	99,124	888,546	24,222	103,440	7,327	1,122,659
At 31 December 2021	116,233	916,315	28,813	123,351	11,324	1,196,036

STG AEROSPACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

11 Fixed asset investments

	Notes	2022 £	2021 £
Investments in subsidiaries	12	21,656	21,731

Movements in fixed asset investments

	Shares in subsidiaries £
Cost or valuation	
At 1 January 2022	21,731
Disposals	(75)
At 31 December 2022	21,656
Carrying amount	
At 31 December 2022	21,656
At 31 December 2021	21,731

12 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Registered office key	Nature of business	Class of shares held	% Held Direct
STG Aerospace (China) Co Ltd	1	Trading company	Ordinary	100
STG Aerospace Germany GmbH	2	Trading company	Ordinary	100

Registered Office addresses:

- Level 1, Building No.1, No. 251 Taohua Road, China (Shanghai) Free Trade Zone
- C/O Reimersbrucke 5, C/O UHY Deutschland AG, Wirtschaftsprüfungsgesellschaft, 20457, Hamburg

STG Aerospace (China) Co Ltd is in the process of being wound up.

STG Aerospace Inc was disposed of during the period.

STG AEROSPACE LTD**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022****13 Stocks**

	2022	2021
	£	£
Raw materials and consumables	492,840	1,455,766
Work in progress	45,864	20,963
Finished goods and goods for resale	1,705,270	569,199
	<u>2,243,974</u>	<u>2,045,928</u>

14 Debtors

	2022	2021
	£	£
Amounts falling due within one year:		
Trade debtors	1,668,270	1,107,444
Corporation tax recoverable	174,809	174,809
Amounts owed by group undertakings	1,923,821	3,032,436
Other debtors	333,164	422,089
Prepayments and accrued income	100,988	54,331
	<u>4,201,052</u>	<u>4,791,109</u>

15 Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	458,673	400,182
Amounts owed to group undertakings	2,174,512	68,860
Derivative financial instruments	-	80,084
Accruals and deferred income	400,792	258,841
	<u>3,033,977</u>	<u>807,967</u>

16 Provisions for liabilities

	2022	2021
	£	£
Warranty provision	<u>71,126</u>	<u>90,420</u>

STG AEROSPACE LTD**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022****16 Provisions for liabilities****(Continued)**

Movements on provisions:

	Warranty provision £
At 1 January 2022	90,420
Utilisation of provision	(19,294)
	<u>71,126</u>
At 31 December 2022	<u>71,126</u>

17 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2022 £	Liabilities 2021 £
Balances:		
ACAs	190,852	199,152
	<u>190,852</u>	<u>199,152</u>
Movements in the year:		2022 £
Liability at 1 January 2022		199,152
Credit to profit or loss		(8,300)
		<u>190,852</u>
Liability at 31 December 2022		<u>190,852</u>

18 Share capital

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital issued and fully paid				
Ordinary shares of £1 each	100	100	100	100
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

19 Reserves**Profit and loss account**

The profit and loss account includes all current and prior period retained profits and losses.

STG AEROSPACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

20 Operating lease commitments

Lessee

Operating lease payments represent rentals payable by the company for certain of its properties. Leases are negotiated for an average term of 10 years and rentals are fixed for an average of 5 years with an option to extend for a further 5 years at the prevailing market rate.

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022 £	2021 £
Within one year	127,400	128,260
Between two and five years	436,732	500,000
In over five years	-	59,332
	<u>564,132</u>	<u>687,592</u>

21 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2022 £	2021 £
Acquisition of tangible fixed assets	<u>99,489</u>	<u>-</u>

22 Related party transactions

Transactions with group companies have not been disclosed in accordance with the exemption available in FRS 102.

23 Ultimate controlling party

The parent undertaking is Saf-T-Glo Limited, registered office Brecon House, William Brown Close, Llantarnam Industrial Park, Cwmbran, NP44 3AB.

Saf-T-Glo Limited is a wholly owned subsidiary of JLL HUT (UK) Limited. The directors are of the opinion that JLL HUT (UK) Limited has no ultimate controlling party. Copies of the group accounts can be viewed at www.companieshouse.gov.uk.