Co House

Gen2 Systems Limited

Annual Report and Financial Statements
Year Ended 31 December 2022

Registration number: 06403282

Gen2 Systems Limited

Contents

Gen2 Systems Limited

Company Information

Directors	Mr A Fischer Mr N Koerner
Registered office	Lewis Building Bull Street Birmingham B4 6AF
Bankers	Lloyds Bank plc 9 Birmingham Road Sutton Coldfield West Midlands B72 1QA
Auditors	PKF Smith Cooper Audit Limited Statutory Auditor 158 Edmund Street Birmingham B3 2HB

Gen2 Systems Limited

Strategic Report for the Year Ended 31 December 2022

The directors present their strategic report for the year ended 31 December 2022.

Principal activity
The principal activity of the company is the supply of Software as a Service (SaaS) and software services pertaining to digitisation, storage, and management of aviation records, for airlines, aircraft and engine leasing companies, Maintenance, Repair and Overhaul (MRO) organisations and Original Equipment Manufacturers (OEM). The business continues to offer technical services to clients in support of aviation records management and in particular Aircraft Transition Management (ATM).

Review of the business
These financial statements present the financial performance for the Company for the year ended 31 December 2022.

Performance for the year saw turnover increase by 2.78% to £9.7m, compared to £9.4m (2021) with underlying gross margins decreasing to 64% from 68% (2021). The Company continued to expand its client base through the period and exited the year investing in further product innovation to cement its strong position in the market, investing for future product launches through 2023 and 2024.

The Company delivered a profit after tax for the year of £0.6m compared to £2.0m for 2021. The result demonstrates the company's investment for future growth, in particular investing in product innovation, enhancing technological and infrastructure capabilities and recruitment of the best talent to drive the business forward in the coming years

The Directors are satisfied with the results for the period, with a strengthened balance sheet and cash reserves having repaid c£550k of intra-group loans, which have enhanced the financial position at the balance sheet date. The Directors are confident in the long-term strategic vision and direction of the Company.

Principal risks and uncertainties
The Company trades in Sterling, US Dollars, Australian Dollars, Euros and Indian Rupees. As such the Company is at risk from exchange rate fluctuations. Currently the Company holds bank accounts in each currency and endeavours to make payments in those currencies. Where required, the Company trades currency at spot rates using the purchasing power of the shareholder's (LHT) treasury fuction, converting foreign currency to its functional currency Sterling. At the current time the Company continues to review options on implementing exchange rate hedging aligned to the parent group, Deutsche Lufthansa AG (DLH AG).

In order to minimise cash flow / liquidity risk, cash flow forecasts are prepared and reviewed by the Board of Directors and the Company reviews its cash flow needs and financing arrangements regularly. The Company's policy has been to ensure continuity of funding through the generation of cashflow from operating activities, which has been enhanced by introducing prepayment terms for one-off projects, aligned to prompt invoice raising and follow-up to terms. The financial strength of the LHT / DLH AG group, provides opportunities to access further working capital and the business retains access to commercial loan funding through its banking partners if required.

The Company has experienced very little impact from the UK decisions to leave the EU (BREXIT) and apart from some minor administrative issues travelling to the EU, the business has not seen any significant impact on the Company, but continue to monitor the situation.

Competitor risk is managed by providing high quality software, technical services aligned to value added mid-term and end of lease services on a cloud based "Software as a Service" (SaaS) platform, differentiating the Company from competitors. Its continued investment in the software platform and new products for launch in 2023-24, is aimed at ensuring significant differentiation exists to provide a market advantage in the aviation records management space, whilst continuing to develop innovative and complementary products. The Company continues to invest in technology and infrastructure to enhance its service offering, alongside utilising innovative technology to improve the user experience and automate system functionality.

The Company's principal financial assets are trade and other debtors. The Company continually monitors its credit exposure with all customers and given these focussed credit control procedures operated by the Company, the Directors are satisfied that any bad debt risks are low even through this period of heightened economic uncertainty and have been partially protected by the continued use of prepayment terms for new projects.

Environmental and macro-economic factors continue to be monitored by the business. The ongoing disruption to the global economy and supply chains caused by the war in Ukraine, continues to have an effect across the aviation industry, impacting travel routes and flight scheduling adding to operator cost constraints. Whilst Flydocs is positioned within the Aviation sector, the business continues to recover from the impact of the global pandemic and remains well positioned to take advantage of outsourced digital and technical solutions, which clients need to support their own business rationalisation activities. The business is keeping an eye on escalating tension between the US and China which could have an impact on the global economy, whilst rising inflation and interest rates could also be a factor for operators, who could experience a down turn in passenger volumes, should a reduction in disposable income adversely impact consumer travel spending.

During the year, the business continued to focus on the health, safety, and wellbeing of our people. The business has encouraged hybrid (flexible) working practices, across it's global workforce, allowing employees to work from home up to 5 days per week, improving flexible working practices and enhancing the employment offering when recruiting talent, rather than being constrained by an office location. In the UK, the business moved to full time virtual working in Aug-22, facilitating co-working spaces and meeting facilities as required in various cities around the UK.

The business has adapted to its new environment, harnessing technology to assist smarter working, which has ensured consistent operational service. After beginning a project to migrate our data centre from our UK based service provider, to a global provider (MS Azure) at the beginning of 2021, that project was completed during Q4 2022. This strategic change in provider and platform was implemented to mitigate against system technology redundancies, enhance the client experience, improve OCR capabilities, increase data access speed and provide a platform for growth, whilst enhancing business resilience and aligning operational capabilities with our Ultimate Parent (Deutsche Lufthansa). During this phased migration, there were no business outages and business resilience and customer satisfaction levels improved. The business believes the medium and long term benefits of creating greater stability and additional system performance are already being recognised inside the business and for (by) customers.

Gen2 Systems Limited

Strategic Report for the Year Ended 31 December 2022

The Company has continued to leverage our long term contracted client base and continues to see a strong pipeline for software and technical services growth, and provide solutions to clients for their short-term operational and cashflow issues. The Company has successfully retained clients and added a number of new relationships through 2022, being successful in a tough market. Client feedback is utilised to focus business priorities, drive enhancements to existing solutions, whilst creating the development environment for new software solutions for launch in 2023-24.

The Directors and Leadership Team, continue to take prudent and decisive action to strengthen the business in the long-term interests of employees, clients and the wider Company. Whilst revenue was relatively flat year on year, the software business grew, whilst the technical services offering experienced a small decline. This gave the directors and leadership team the confidence to continue to invest in software solutions, increasing focus, capacity and investment in new product development, as well as leveraging new technology to supplement business processes.

The Company completed the year with strong cash reserves, and will continue to focus on increasing investment in people and technology, to continue to support, fund and implement its digitisation strategy, investing in software and software support services worldwide. The Company continues to focus on expanding its worldwide client portfolio and remains well placed to respond quickly to changing market and customer requirements, and the Directors remain confident in delivering profitable growth.

The Directors are satisfied with the results for the period and the Company's financial position as at the balance sheet date and remain convinced of the long-term strategic vision and direction of the Company.

Approved by the Board on ....27.9.23.... and signed on its behalf by:

....
Mr A Fischer
Director

Gen2 Systems Limited

Directors' Report for the Year Ended 31 December 2022

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

Directors of the company
The directors who held office during the year were as follows:

Mr A Fischer

Mr N Koerner

Financial instruments

Objectives and policies

The Company uses a combination of trade debtors, trade creditors and intercompany accounts to fund its working capital requirements. Finance leases are used to finance an element of the plant and equipment. All financial instruments within the Company are assessed as being basic in nature. The company did not participate in any form of foreign currency or other hedging transactions during the current financial year.

Price risk, credit risk, liquidity risk and cash flow risk

There are no exposures of the company relating to price risk, credit risk, liquidity risk and cash flow risk which are material for the assessment of the assets, liabilities, financial position and profit of the company as a whole.

Going concern
The Company is exposed to various risks outlined in the strategic report, "principal risks" section, and whilst crystallisation of such risks, where not fully mitigated, would have a detrimental impact on the Company's financial results, none are deemed sufficiently material to prevent the Company continuing as a going concern for the foreseeable future, being no less than 12 months from the date of approval of these financial statements.

The Directors and Leadership team use a robust monthly ERM process, to identify risks and necessary actions to be taken by the business. First line leadership and the wider organisation use a system of bi-monthly action reviews, supplemented by regular risk and compliance training, including various scenarios and sensitivities to revenue, costs and cashflows, to enhance business protection for clients, employees and all stakeholders.

The business operates significantly in the aviation market, as such macro-economic factors causing global economic uncertainty, could have an impact. As such market conditions continue to be variable, however the improving position and significant decrease in the impact and severity of the Covid 19 pandemic on operations has facilitated a significant stabilisation in markets, which are heading back to pre-pandemic levels. Operators continue to ramp up activity which is having some operational impact as they face the challenges of creating operational capacity, recruitment and ensuring flight operations deliver seamlessly. Other macro-economic factors which the business contuse to monitor are the risks associated with war in Ukraine, heightened tensions between US and China, decisions by OPEC in managing fuel pricing, aligned with greater focus from the "green Lobby", in regards Aviation's credentials for sustainability and aircraft emissions.

The Directors and Leadership team continue to monitor the strength of the business, and aligned to the current product portfolio, the business is ready to support outsourced digitisation in key markets, leaving the Directors confident that the Company is well positioned to manage overall risks successfully.

Gen2 Systems Limited

Directors' Report for the Year Ended 31 December 2022

The Company was able to meet its day to day working capital requirements through available cash funds generated from client invoicing during the year. The Directors did not need to access external loan facilities from our banking partner and currently does not foresee a need to do this, although recognise this is an additional source of funds should the need arise. Consequently, the Directors have a reasonable expectation that the Company has adequate resources to continue operationally for the foreseeable future and continues to adopt the going-concern basis for preparation of its financial statements.

Future developments
The company has taken advantage of Section 414C (11) of the Companies Act 2006 and included details of future developments in the Strategic Report.

Disclosure of information to the auditors
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 27.9.23 and signed on its behalf by:

....
Mr A Fischer
Director

Gen2 Systems Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent Auditor's Report to the Members of Gen2 Systems Limited

Opinion

We have audited the financial statements of Gen2 Systems Limited (the 'company') for the year ended 31 December 2022, which comprise the Profit and Loss Account, Balance Sheet, 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 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 Financial Reporting Council'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 company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were 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 Auditors' 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 Gen2 Systems Limited

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

Matters on which we are required to report by exception
In the light of our 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 and the Directors' Report.

We have nothing to report in respect of the following matters where 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 Statement of Directors' Responsibilities (set out on page 7), 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 Responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non compliance with laws and regulations. Based on our understanding of the Company and industry, key laws and regulations that we identified included:

- Companies Act;
- Tax legislation; and
- Health and safety and employment legislation.

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Independent Auditor's Report to the Members of Gen2 Systems Limited

We identified that the principal risk of fraud and non compliance with laws and regulations related to:

- Management bias in respect of accounting estimates and judgements made;
- Management override of control; and
- Posting of unusual journals or transactions.

We focussed on those areas that could give rise to a material misstatement in the Company's financial statements.

Our procedures included, but were not limited to:

- Enquiry of management and those charged with governance around actual and potential litigation and claims including instances of non compliance with laws and regulations and fraud;
- Reviewing legal expenditure in the year to identify instances of non compliance with laws and regulations and fraud;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias, in particular revenue recognition on long-term contracts, amounts recoverable on contracts and deferred income.

It is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report to the Members of Gen2 Systems Limited

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.

PKF Smith Cooper Audit Limited
....
Stephen Newman (Senior Statutory Auditor)
PKF Smith Cooper Audit Limited, Statutory Auditor

158 Edmund Street
Birmingham
B3 2HB

Date: 27th September 2023.

Gen2 Systems Limited

Profit and Loss Account

Year Ended 31 December 2022

	Note	2022 £	2021 £
Turnover	3	9,687,374	9,425,039
Cost of sales		(3,498,751)	(3,059,641)
Gross profit		6,188,623	6,365,398
Administrative expenses		(5,285,204)	(3,961,787)
Other operating income	4	2,445	116,077
Operating profit	5	905,864	2,519,688
Other interest receivable and similar income	9	147	537
Interest payable and similar charges	10	(180,782)	(129,476)
Profit before tax		725,229	2,390,749
Taxation	11	(111,855)	(386,493)
Profit for the financial year		613,374	2,004,256

The notes on pages 15 to 28 form an integral part of these financial statements.

Gen2 Systems Limited

Balance Sheet

31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	12	-	121
Tangible assets	13	41,872	75,758
		41,872	75,879
Current assets			
Debtors	14	4,190,976	3,686,266
Cash at bank and in hand	15	5,982,054	6,474,847
		10,173,030	10,161,113
Creditors: Amounts falling due within one year	16	(2,356,138)	(3,180,460)
Net current assets		7,816,892	6,980,653
Total assets less current liabilities		7,858,764	7,056,532
Deferred income		(1,452,175)	(1,263,317)
Net assets		6,406,589	5,793,215
Capital and reserves			
Called up share capital	20	100	100
Profit and loss account		6,406,489	5,793,115
Shareholder's funds		6,406,589	5,793,215

Approved and authorised by the Board on ....27.9.23.... and signed on its behalf by:

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....

Mr A Fischer
Director

Company Registration Number: 06403282

Gen2 Systems Limited

Statement of Changes in Equity

Year Ended 31 December 2022

	Share capital £	Profit and loss account £	Total £
At 1 January 2022	100	5,793,115	5,793,215
Profit for the year	-	613,374	613,374
At 31 December 2022	100	6,406,489	6,406,589

	Share capital £	Profit and loss account £	Total £
At 1 January 2021	100	3,788,859	3,788,959
Profit for the year	-	2,004,256	2,004,256
At 31 December 2021	100	5,793,115	5,793,215

1 General information

The company is a private company limited by share capital, incorporated in England & Wales.

The address of its registered office is:
Lewis Building
Bull Street
Birmingham
B4 6AF
England

2 Accounting policies

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

Statement of compliance
These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006. There are no material departures from FRS 102.

The functional currency of the company is considered to be pounds sterling.

Basis of preparation
These financial statements have been prepared using the historical cost convention.

Summary of disclosure exemptions
The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its individual financial statements on the basis that it is included in the consolidated financial statements of Flydocs Systems (Topco) Limited, a company incorporated in England & Wales, which can be obtained from Lewis Building, Bull Street, Birmingham, B4 6AF. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management.

Going concern

The Company is exposed to various risks outlined in the strategic report, "principle risks" section, and whilst crystallisation of such risks, where not fully mitigated, would have a detrimental impact on the Company's financial results, none are deemed sufficiently material to prevent the Company continuing as a going concern for the foreseeable future, being no less than 12 months from the date of approval of these financial statements.

The Directors and Leadership team use a robust monthly ERM process, to identify risks and necessary actions to be taken by the business. First line leadership and the wider organisation use a system of bi-monthly action reviews, supplemented by regular risk and compliance training, including various scenarios and sensitivities to revenue, costs and cashflows, to enhance business protection for clients, employees and all stakeholders.

The business operates significantly in the aviation market, as such macro-economic factors causing global economic uncertainty, could have an impact. As such market conditions continue to be variable, however the improving position and significant decrease in the impact and severity of the Covid 19 pandemic on operations has facilitated a significant stabilisation in markets, which are heading back to pre-pandemic levels. Operators continue to ramp up activity which is having some operational impact as they face the challenges of creating operational capacity, recruitment and ensuring flight operations deliver seamlessly. Other macro-economic factors which the business contuse to monitor are the risks associated with war in Ukraine, heightened tensions between US and China, decisions by OPEC in managing fuel pricing, aligned with greater focus from the "green Lobby", in regards Aviation's credentials for sustainability and aircraft emissions.

The Directors and Leadership team continue to monitor the strength of the business, and aligned to the current product portfolio, the business is ready to support outsourced digitisation in key markets, leaving the Directors confident that the Company is well positioned to manage overall risks successfully.

The Company was able to meet its day to day working capital requirements through available cash funds generated from client invoicing during the year. The Directors did not need to access external loan facilities from our banking partner and currently does not foresee a need to do this, although recognise this is an additional source of funds should the need arise. Consequently, the Directors have a reasonable expectation that the Company has adequate resources to continue operationally for the foreseeable future and continues to adopt the going-concern basis for preparation of its financial statements.

Key accounting judgements and sources of estimation uncertainty
In the application of the company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key accounting judgements applied in these financial statements relate to going concern, as described above.

The key source of estimation uncertainty that has a significant effect on the amounts recognised in the financial statements is recognition of amounts recoverable on contracts. The company applies its policy on contract accounting when recognising revenue and profit on partially completed contracts. The application of this policy requires estimates to be made in respect of the stage of completion of each element of the company's contracts. The carrying value of amounts recoverable on contracts is £1,320,160 (2021 - £1,930,444).

Revenue recognition
The turnover shown in the profit and loss account represents amounts chargeable in respect of the sale of goods and services, exclusive of Value Added Tax.

In respect of long-term contracts and contracts for on-going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of long-term contracts and contracts for on-going services is recognised by reference to the stage of completion, which is dependent on the individual contracts.

Government grants
Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants relating to revenue are recognised in income over the period in which the related costs are recognised.

Foreign currency transactions and balances
Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date.

Tax
Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current corporation tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income. The company receives some tax losses from wider group companies via group relief. It makes payment for these losses at an agreed rate for the financial period in which these losses are relieved.

Deferred tax is recognised on all timing differences at the balance sheet date unless indicated below. Timing differences are differences between taxable profits and the results as stated in the profit and loss account and other comprehensive income. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Intangible assets
Intangible assets are stated in the balance sheet at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation
Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	**Amortisation method and rate**
Trademarks	10% straight line

Tangible assets
Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation
Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	**Depreciation method and rate**
Fixtures and fittings	15% straight line
Equipment	25% and 33% straight line
Plant and machinery	25% and 33% straight line
Leasehold property improvements	Over the life of the lease

Leases
Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Defined contribution pension obligation
The Company contributes to defined contribution personal pension plans for eligible staff. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Reserves
Share capital represents the nominal value of shares that have been issued.

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

Financial instruments
Classification
The company holds the following financial instruments:

• Short term trade and other debtors and creditors;
• Short term intercompany debtors and creditors; and
• Cash and bank balances.

All financial instruments are classified as basic.

Recognition and measurement
The company has chosen to apply the recognition and measurement principles in FRS102.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument and derecognised when in the case of assets, the contractual rights to cash flows from the assets expire or substantially all the risks and rewards of ownership are transferred to another party, or in the case of liabilities, when the company's obligations are discharged, expire or are cancelled.

Such instruments are initially measured at transaction price, including transaction costs, and are subsequently carried at the undiscounted amount of the cash or other consideration expected to be paid or received, after taking account of impairment adjustments.

Gen2 Systems Limited

Notes to the Financial Statements

Year Ended 31 December 2022

3 Revenue

The analysis of the company's Turnover for the year from continuing operations is as follows:

	2022 £	2021 £
Rendering of services	9,687,374	9,425,039

The analysis of the company's turnover for the year by market is as follows:

	2022 £	2021 £
UK	1,184,982	1,441,744
Europe	2,247,488	3,265,717
Rest of world	6,254,904	4,717,578
	9,687,374	9,425,039

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2022 £	2021 £
Government grants	-	9,812
R&D tax credit	-	74,688
Management recharges	2,445	31,577
	2,445	116,077

Income in respect of government grants related wholly to the Coronavirus Job Retention Scheme (CRJS).

5 Operating profit

Arrived at after charging/(crediting)

	2022 £	2021 £
Depreciation expense	40,874	43,529
Amortisation expense	121	204
Foreign exchange (gains)/losses	(841,107)	75,041
Loss on disposal of property, plant and equipment	6,031	284

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2022 £	2021 £
Wages and salaries	2,397,303	2,155,508
Social security costs	258,378	224,015
Pension costs, defined contribution scheme	141,857	138,408
	2,797,538	2,517,931

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2022 No.	2021 No.
Administration and support	9	8
Technical	17	11
Sales	9	4
Software	10	9
	45	32

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022 £	2021 £
Remuneration	229,302	201,820
Contributions paid to money purchase schemes	14,740	21,154
	244,042	222,974

During the year the number of directors who were receiving benefits was as follows:

	2022 No.	2021 No.
Accruing benefits under money purchase pension scheme	1	1

In respect of the highest paid director:

	2022 £	2021 £
Remuneration	229,302	201,820
Company contributions to money purchase pension schemes	14,740	21,154

One of the directors is remunerated wholly by another member of the Deutsche Lufthansa AG group.

8 Auditor's remuneration

	2022 £	2021 £
Audit of the financial statements	13,000	6,600

9 Other interest receivable and similar income

	2022 £	2021 £
Other interest receivable	147	537

10 Interest payable and similar expenses

	2022 £	2021 £
Interest payable to group undertakings	180,782	129,476

11 Taxation

Tax charged/(credited) in the profit and loss account

	2022 £	2021 £
Current taxation		
UK corporation tax	-	71,500
UK corporation tax adjustment to prior periods	(3,249)	(849)
Group relief payable/(receivable)	113,207	319,012
	109,958	389,663
Foreign tax	3,397	3,830
Total current income tax	113,355	393,493
Deferred taxation		
Arising from origination and reversal of timing differences	(1,500)	(7,000)
Tax expense in the profit and loss account	111,855	386,493

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2021 - lower than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £	2021 £
Profit before tax	725,229	2,390,749
Corporation tax at standard rate	137,794	454,242
Effect of expenses not deductible for tax purposes	(7,481)	(3,531)
Adjustment to deferred tax in respect of changes in tax rates	67	(11,024)
Adjustments in respect of previous periods	(3,182)	(793)
Group relief utilised	(16,588)	(55,625)
Foreign tax suffered	1,245	3,830
Research and development tax credit	-	(606)
Total tax charge	111,855	386,493

Deferred tax

Deferred tax assets and liabilities

2022	Asset £	Liability £
Fixed asset timing differences	5,500	-
Short term timing differences	42,000	-
	47,500	-

2021	Asset £	Liability £
Fixed asset timing differences	42,000	-
Short term timing differences	4,000	-
	46,000	-

Factors that may affect future tax charges

An increase in the long-term UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. Deferred tax balances have been remeasured to reflect this higher long-term rate, with differences recognised in the current year tax charge.

12 Intangible assets

	Trademarks £	Total £
Cost or valuation		
At 1 January 2022	2,005	2,005
At 31 December 2022	2,005	2,005
Amortisation		
At 1 January 2022	1,884	1,884
Amortisation charge	121	121
At 31 December 2022	2,005	2,005
Carrying amount		
At 31 December 2022	-	-
At 31 December 2021	121	121

The aggregate amount of research and development expenditure recognised as an expense during the period is £592,000 (2021 - £550,000).

13 Tangible assets

	Leasehold property improvements £	Furniture, fittings and equipment £	Plant and machinery £	Total £
Cost or valuation				
At 1 January 2022	58,577	239,312	195,109	492,998
Additions	-	13,021	-	13,021
Disposals	(58,577)	(177,284)	-	(235,861)
At 31 December 2022	-	75,049	195,109	270,158
Depreciation				
At 1 January 2022	48,464	185,694	183,082	417,240
Charge for the year	10,113	20,465	10,296	40,874
Eliminated on disposal	(58,577)	(171,251)	-	(229,828)
At 31 December 2022	-	34,908	193,378	228,286
Carrying amount				
At 31 December 2022	-	40,141	1,731	41,872
At 31 December 2021	10,113	53,618	12,027	75,758

Assets held under finance leases

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases:

	2022 £	2021 £
Plant and machinery	-	12,027

14 Debtors

	Note	2022 £	2021 £
Trade debtors		2,542,072	1,515,654
Amounts owed by group undertakings		148,334	43,219
Other debtors		3,860	155
Prepayments		129,050	150,794
Amounts recoverable on contracts		1,320,160	1,930,444
Deferred tax assets	11	47,500	46,000
Total current trade and other debtors		4,190,976	3,686,266

Gen2 Systems Limited

Notes to the Financial Statements

Year Ended 31 December 2022

15 Cash and cash equivalents

	2022 £	2021 £
Cash on hand	16,476	14,546
Cash at bank	5,965,578	6,460,301
	5,982,054	6,474,847

16 Creditors

		2022 £	2021 £
Due within one year			
Loans and borrowings	17	-	10,301
Trade creditors		10,405	160,887
Amounts due to group undertakings		1,899,197	2,420,293
Corporation tax		44,255	142,175
Social security and other taxes		62,758	76,642
Outstanding defined contribution pension costs		20,847	19,304
Accrued expenses		318,676	350,858
		2,356,138	3,180,460

17 Loans and borrowings

	31 December 2022 £	31 December 2021 £
Current loans and borrowings		
Finance lease liabilities	-	10,301

Gen2 Systems Limited

Notes to the Financial Statements

Year Ended 31 December 2022

18 Obligations under leases

Finance leases

The total of future minimum lease payments is as follows:

	31 December 2022 £	31 December 2021 £
Not later than one year	-	10,301
	-	10,301

Operating leases

The total of future minimum lease payments is as follows:

	31 December 2022 £	31 December 2021 £
Not later than one year	39,991	66,292
Later than one year and not later than five years	16,355	56,346
	56,346	122,638

The amount of non-cancellable operating lease payments recognised as an expense during the year was £66,663 (2021 - £65,139).

19 Pension schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £141,857 (2021 - £138,408).

Contributions totalling £20,847 (2021 - £19,304) were payable to the scheme at the end of the year and are included in creditors.

20 Share capital

Allotted, called up and fully paid shares

	2022 No.	2022 £	2021 No.	2021 £
Ordinary shares of £1 each	100	100	100	100

Rights, preferences and restrictions
Ordinary shares have the following rights, preferences and restrictions:
Full voting, dividend and capital distribution (including on winding up) rights.

21 Related party transactions

Group companies
The company has taken advantage of the exemption in FRS 102 from disclosing transactions with other wholly-owned members of the Flydocs Systems (Topco) Limited group.

Transactions with other related parties
Fellow subsidiaries
During the period, the company made sales of £972,942 (2021 - £1,916,557) to members of the wider Deutsche Lufthansa AG group. Of this amount, £969,563 (2021 - £1,872,487) was raised as sales invoices and £35,270 (2021 - £44,070) recognised as amounts recoverable on contracts. In addition, £174,145 (2021 - £179,566) of sales invoices were raised and deferred at the period end. At the period end, the balance due from fellow subsidiaries was £214,359 (2021 - £222,515), being £179,830 (2021 - £178,445) included in trade debtors and £35,270 (2021 - £44,070) included in amounts recoverable on contracts.

During the period, the company recognised an expense within its current tax charge of £113,207 (2021 - £318,442) payable to a member of the wider Deutsche Lufthansa AG group in respect of tax losses received. At the period end, the balance due to the fellow subsidiary was £113,207 (2021 - £318,442).

22 Parent and ultimate parent undertaking

The company's immediate parent is Flydocs Systems Limited, incorporated in England & Wales.

The ultimate parent is Deutsche Lufthansa AG, incorporated in Germany.

The parent of the smallest group in which these financial statements are consolidated is Flydocs Systems (Topco) Limited, incorporated in England and Wales.

The address of Flydocs Systems (Topco) Limited is:
Lewis Building, Bull Street, Birmingham, England, B4 6AF