

Acro Aircraft Seating Limited

Registered number 05859680

Annual report and financial statements
for the year ended 31 December 2019

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Strategic Report

At a glance

Acro Aircraft Seating Limited's (the "Company" or "Acro") purpose is to Perfect Comfort for Passengers. We are a leading designer and manufacturer of aircraft seats and spare parts supplying a wide variety of airline customers spanning the globe, through both linefit and retrofit markets. We are headquartered in the United Kingdom, with staff based in the UK, US and Asia.

Our central belief is that 'seats can't be comfortable, only people can' and armed with this perspective we focus on the user's experience of the seat. We see our seats as pieces of furniture rather aircraft equipment.

Our primary design and manufacturing location is situated in the South East of the United Kingdom, with our supply chain spanning the globe.

The business was founded in 2006 by three members, and was acquired outright by our ultimate parent company, Zhejiang Tiancheng Science & Technology Investment Co., Ltd. ("ZTC") in 2017. This investment marks the next stage of our businesses growth as we look forward to an even stronger future as a UK headquartered global aircraft seating business.

Since inception we have grown to revenues this year of £50.7m (2018: £39.4m) with employees of 170 (2018: 170) through our belief in simplicity and by being easy to do business with.

Our business model

We strive to set ourselves apart from our competitors by the application of our design philosophy in our seats and by putting the customers' requirements at the centre of our offering. This allows us to offer shorter lead-times, a willingness to customise and adapt our designs to suit our customers' needs and controlling risks through excellent project management.

We manage the growth of our business by maintaining a range of forward looking, continuous improvement projects that are imbedded throughout the organisation and constantly challenging ourselves on what great looks like and forging plans to achieve it.

Our strategy

We focus on seats for economy, premium economy and short-haul business class along with the associated spares sales. We continue to explore ways to increase our offering to our customers and expect to be able to make some key announcements on being able to supply more of the cabin interior to our customers over the coming year and years.

Our developing product range is well suited to take advantage of both the expanding market and our growing reputation, and includes:

Series 3:

Our Series 3 seat has dominated our sales to date, with over 130,000 passenger places flying and is available in recline and fixed back variants.

Series 6:

In 2017 we launched the Series 6 seat - a comfortable, easily maintainable and lighter economy seat, largely for the single aisle market, in fixed back and recline variants. The first customer deliveries took place in early 2018. We are pleased with the excitement in the market, which has been demonstrated by our growing order book. We continue to broaden the appeal of this seat with variants suited to the different markets our customers operate in.

Series 7:

A seat aimed at the twin-aisle, long-haul premium economy market as well as the single-aisle business class market; our new Series 7 is a more generous seat that delivers an impression of luxury whilst remaining true to our design values of simplicity and the creation of living space. Launched in 2017, we delivered our first Series 7 seats to customers in the first half of 2018. The very positive reaction in the market place to date continues to drive interest in this key area.

Strategic Report *(continued)*

Further development:

Looking ahead we are constantly reviewing our position in the marketplace and how our offering can best serve our customers and stakeholders. We continue to work closely with particularly Airbus and other aircraft manufacturers to see how we can best support their future development resulting in new investments in new offerings over the coming years.

The significant investment in extending and widening our product range provides a strong base for our growth plans. In order to deliver this investment, we take a keen interest in managing our cash position. We are pleased to have secured the equity investment in Acro by ZTC in October 2017, and continue to have a strong relationship with our bankers HSBC. The banking trade loan facilities have had their annual renewal, which takes place in March of each year. The Directors are not aware of any reasons why these would not be renewed.

Financial and operating review

The overall performance is in line with management expectations as we further build the platform for growth.

Revenue 2019: £50.7m (2018: £39.4m)

- Strong growth driven by increased seat sales of our widening product range.
- Further deliveries of Series 6 & Series 7 seats.

Gross profit and margins 2019: £8.7m 17% (2018: £9.4m 24%)

- Driven by investments in early stage deliveries to customers on low volumes of new product. Margins will improve as volumes pick up.

Loss after tax 2019: £4.16m (2018: £0.5m profit)

- Driven by the drop in gross margins as well as a write down of the value of intangible assets and some stock items.
- This increasing investment remains a deliberate part of our plan to focus and prepare for the future growth from both the current order book and orders we intend to win.

Cashflow from operations 2019: £2.37m (cash outflow) (2018: £0.8m)

- A reduction in the value of our Intangible Assets (Capitalised R&D) along with provisions for slow moving and obsolete stock.
- We continue to be well supported by HSBC, and have significant cash at our disposal from our parent. These two together allow us to confidently support both our day to day cash needs and our future investment requirements.

Intangible assets 2019: £5.6m (2018: £5.5m)

- Series 6 & Series 7 new product development covers the majority of spend.

2020 will see the continued development of Series 6 and 7 as we adapt these products to other airframes to widen the addressable market.

The Directors are pleased with the progress made during the year. He expects the business to be well positioned to take advantage of the expected increase in order book over the year ahead and to start to implement our global footprint plan further.

Strategic Report *(continued)*

Future trends

The year marked further key milestones for the business; we further improved the quality of our people, and we continue to be committed to in-depth training and development courses for the leadership team. The Company has furthered its relationship with Airbus, and we continue to be pleased with the strong support Airbus offers us. This 'linefit offerability' is transforming our business. We are only the fifth economy seat supplier to Airbus A320 family and have seen a significant change in the type and number of enquiries we get from potential customers. We expect that this trend will continue and lead to the significant growth of our order book we are planning for.

We have appropriate plans and resources in place to deal with the extra demands that this will place on the business from a project management, design and manufacturing capacity point of view and so are well placed to take advantage of the coming opportunities.

Principal risks and uncertainties

The Board is committed to protecting and enhancing the Company's reputation and assets, while safeguarding the interests of its shareholders. It has overall responsibility for the Company's system of risk management and internal controls. The Company's business is affected by a number of risks and uncertainties that are subject to internal and external factors, some of which we cannot control. Many of the risks are similar to those found by comparable companies in terms of scale and operations. The risks and uncertainties facing the Company have also been considered in the context of Brexit. We continue to assess the immediate risk from Brexit as low given our global reach, and strong order book and the certainty this gives us in what our customers expect from us over any one six-month horizon. Further we note, that with an ever growing customer offering in a very large global market for seats, the medium and long term future of the business remains in our hands, and we have every confidence that we will perform well in whatever environment Brexit and its aftermath creates. As such, we consider that the principal risks affecting the Company are unchanged. The Board will, however, continue to closely monitor market conditions and will react accordingly.

Our approach

Risk management and maintenance of appropriate systems of control to manage risk are the responsibilities of the Board and are integral to the ability of the Company to deliver on its strategic priorities. The Board has developed a framework for risk management that is used to establish a culture of effective risk management throughout the business by identifying and monitoring material risks, setting risk appetite and determining the overall risk tolerance of the Company. This framework has been enhanced this year by the additional rigour that ZTC bring, and additional processes have been developed that will assist the Board to monitor and assess the principal risks throughout the year. The Company's risk management systems are monitored and reviewed regularly by the Board.

Identifying and monitoring material risks

Material risks are identified through a detailed analysis of individual processes and procedures (bottom-up approach) and a consideration of the strategy and operating environment of the Company (top-down approach).

Our principal risks and uncertainties

We have identified the following principal risks and uncertainties:

1. Global Pandemic

Likelihood of occurring: High

Potential Impact: The aviation industry has been hit hard by the Covid 19 pandemic and most airlines are delaying orders, where they can. Our strong relationship with Airbus has allowed us to continue to deliver seats to the Airbus production line, however, we a number of retrofit orders have been pushed out into future years. The effect of this is that the orders have not been cancelled, just delayed. We continue to liaise with our Customers to determine the delivery timescales of these orders. Acro works hard with our suppliers to go through this global pandemic period. During the year, Acro has been very proactive to work with our suppliers to manage cashflow to ensure we go through the tough time together. During 2020, with the cash support from Acro's Chinese parent company, Acro has significantly reduced its debt with external creditors in order to maintain good supplier relationships.

2. Material price inflation on costs we incur

Likelihood of occurring: Medium

Potential Impact: Our profitability may decrease if the inflation we experience cannot be offset by sale price increases or savings elsewhere.

Mitigation: We have invested in a dedicated procurement team to source the best components at the most appropriate prices. This includes expanding our global supply base and will increasingly leverage the relationships that our parent company have. The design team is involved to ensure that we fully control any changes needed to components or end products and our quality team are embedded into the process to ensure we continue to produce quality products from quality supplies.

3. Foreign exchange exposure on the items we purchase and the products we sell

Likelihood of occurring: Medium

Potential Impact: Our profitability may increase or decrease if the change in costs or income due to exchange rate fluctuates from that originally expected.

Mitigation: To date the Company has been very successful at ensuring both its supply base and customer base transact in GBP. As such, the current exposure, and therefore risk, remains small. However, it is recognised that as we grow this may not be as possible and as such we plan to ensure we have a robust foreign exchange strategy along with associated policies and procedures in place to deal with this change.

4. Scaling business processes to match growth

Likelihood of occurring: Medium

Potential Impact: Our ability to maximise current opportunities and take advantage of future growth opportunities will be diminished to the extent we do not have the right business structure and underlying procedures and processes in place both in our business and throughout our supply chain. This could threaten our future profitability.

Mitigation: With the support of our parent company and other external stakeholders, we have accelerated our investment in our processes, policies and people. We actively engage in the third party audits that we are subject to, and seek to learn and improve from whatever may be shown. We have conducted studies to assess our ability to ramp up, for example in the capacity of our current premises, and as a result of those will be making improvements to make us more robust. We have also planned to reconfigure the shop floor and warehousing space following the introduction of Series 6 and Series 7 to generate more capacity within the same footprint to support the additional trade we expect this product to bring. We plan to continue to widen and deepen our relationships with our supplier base, both old and new, to support them as necessary and work with them to ensure our joint processes are as smooth as possible, so that we jointly are able to deal with the planned growth levels.

5. Key staff leaving

Likelihood of occurring: High

Potential Impact: Our ability to maximise current opportunities and take advantage of future growth opportunities will be diminished to the extent we do not have the right people in place. This could threaten our future profitability.

Mitigation: Our people are our key asset. In turn we look to reward their hard work with appropriate remuneration and a constant investment in their personal development. This includes significant on the job training, coaching and mentoring supported by specified tailored training programmes. We believe that results in a workforce that consciously chooses to remain in our employ, which in turn leads to better, faster solutions being developed and implemented. We continue to be Living Wage accredited.

6. Brexit impact

Likelihood of occurring: High

Acro takes proactive approach to embrace Brexit challenge. Project team has been setup to monitor Brexit progress and prepare actions accordingly during this ever-changing period while senior management team review the progress regularly to ensure all agreed actions were completed. At the same time, we are working closely with Airbus to ensure we meet the compliance as an Airbus supplier.

Strategic Report *(continued)*

7. Future funding for expansion and development does not materialise

Likelihood of occurring: Low

Potential Impact: Our ability to maximise current opportunities and take advantage of future growth opportunities will diminish to the extent we do not have the right funding in place and are unable to generate our own funds.

Mitigation: We are owned by ZTC, who have global ambitions. They remain committed to the future growth of Acro and subject to their own internal approvals are here to support future product development. We continue to manage our cash flows very carefully to ensure that our objective of earning money to invest money is fulfilled. To the extent that funds are not available in the quantities we want, this would simply have the impact of reducing our growth potentials rather than stopping us growing, as our profits and associated cashflow will support a portion of our planned growth as is.

Section 172 (1) Statement

The revised UK Corporate Governance code was published in July 2018 and applies to accounting periods beginning on or after 1st January 2019. The Companies Miscellaneous Reporting Regulations 2018 require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172 (1) (A) to (F) of the Companies Act 2006 (S172) when performing their duty to promote the success of the Company under S172. This includes considering the interests of other stakeholders which will have an impact on the long-term success of the company. This S172 statement, which is reported for the first time. Explains how Acro's Directors have: -

Engaged with employees, suppliers, customers, and others.

Have had regard to employee interests and those of customers and suppliers.

This S172 statement focuses on matters of strategic importance to Acro and the level of information disclosed is consistent with the size and complexity of the business.

General confirmation of Directors duties

Acro's Board has a clear framework for determining the matters within its remit and has approved Terms of Reference for the matters presented to it. Certain financial and strategic thresholds have been determined to identify matters requiring Board consideration and approval. The delegation of approval matrix sets out the delegation and approval process across the business.

When making decisions, each Director ensures that he / she acts in the way he / she considers, in good faith, would likely promote the Companies success for the benefit of its members, and in doing so have regard to the following:-

S172 (1) (A) – The likely consequences of any decision in the long term.

The Directors understand the business and the evolving environment in which we operate, our product development road map is under constant review and the refinement of existing products / development of new products is considered in the context of the wider market. We recognize that our Customers have a choice and ensure that we are taking their needs in to consideration when refining / developing products. The underlying objective of the business is to increase shareholder value, as such, the Directors recognize that the long-term success of our business is dependent on stakeholder engagement.

S172 (1) (B) – The interests of the Companies Employees

The Directors recognize that Acro's employees are fundamental and core to our business and the delivery of our strategic ambitions. The success of the business depends on attracting, retaining, and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health & safety and environment responsibilities, the Directors factor the implications of decisions on employees and the wider workforce.

S172(1) (C) – The need to foster the company's business relationships with suppliers, customers and others.

Delivering on our strategic aims requires strong and mutually beneficial relationships with suppliers and customers. Acro seeks the promotion and application of certain general principals in such relationships. The ability to promote these relationships is an important factor in our decision to enter in to, and to continue with, such relationships. Acro's approach to suppliers is to source and retain suppliers who can provide goods and services in a mutually beneficial manner and operate in an ethical manner.

S172(1) (D) – The impact of the Companies operations on the community and the environment.

This aspect is embedded in our strategic ambitions, as such, the Board receives information on these topics, such as weight reductions for our products that will lead to lower emissions for our customers and benefit the environment in general. The business will visit key suppliers to ensure that they are aligned with our environmental aims, both at the point of selecting a new supplier and during regular review sessions. This forms a part of our embedded quality process and is externally audited.

S172(1) (E) – The desirability of the company maintaining a reputation for high standards of business conduct.

Acro aims to meet business demands that are economically, environmentally, and socially responsible. The Board periodically reviews and approves clear frameworks such as the Code of Conduct and specific compliance and ethics policies, along with the modern slavery statement. All staff are required to complete mandatory training in these areas along with role specific Health & Safety training.

S172(1) (F) – The need to act fairly between members of the company

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our strategy through the long term, taking in to account the impact on stakeholders. In doing so, the Directors act fairly between members but are not required to balance the Companies interests with those of other stakeholders, this may sometimes lead to situations where certain stakeholder interests may not be fully aligned.

Culture

The Board recognizes that it has an important role in assessing and monitoring that our desired culture is embedded in the values, attitudes, and behaviours we demonstrate. The Board has established honesty, integrity, and respect for people as part of our core values. The Code of Conduct helps everyone to act in line with these values and to comply with relevant laws and regulations. The Health, Safety & Environment policy applies across the business and is designed to ensure that staff always act in the best interests of our people and the environment.

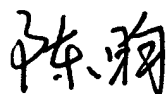
Stakeholder Engagement

The Board recognizes the important role it must play and is highly committed to stakeholder engagement, this is part of our strategic ambition. The Board strongly believes that Acro will only succeed by working with Customers and Suppliers and sharing knowledge and experience with our stakeholders and acknowledges the impact of ongoing engagement and dialogue.

Employee contribution

We would like to acknowledge the dedication and hard work demonstrated by our employees along with our management teams. Put simply, our people are key to the success of the Company. We would like to thank them all for their support during this and past years and for their continued contribution to our success. These are exciting times for us as we move forward with an increasingly impressive product range, start customer deliveries of Series 6 and Series 7, coupled with Airbus offerability provides a platform for us to achieve our strategic goals.

The Strategic Report was approved by the Board on 24.12 2020.



Yun Chen
Director

Board of Directors and Advisors

The following members of the Board of Directors, otherwise known as the Directors, were in position at the year end.

Name	Role	Appointed	Resigned
Yun Chen	Non-Executive Chairman	31 October 2017	
Paul Strothers	Director	9 September 2019	
Xiajie Wang	Director	9 September 2019	29 July 2020
Ling Muk Lai	Chief Commercial Officer	9 September 2019	29 July 2020
Christopher Leese-Wood	Chief Executive Officer	9 September 2019	2 December 2019
Neil Cairns	Chief Executive Officer	28 September 2020	

Advisors

The following advisors served the Company during the year.

Independent auditor

Shinewing Wilson Accountancy Limited
9 St. Clare Street
London
EC3N 1LQ

Taxation advisors

Grant Thornton UK LLP 2nd Floor, St John's House Haslett Avenue West Crawley West Sussex RH10 1HS	ABGI UK Limited 6 Atholl Crescent Edinburgh EH3 8HA
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Legal advisor

Stevens and Bolton LLP
Wey House
Farnham Road
Guildford
Surrey
GU1 4YD

Bankers

HSBC Bank plc 9 The Boulevard Crawley West Sussex RH10 1UT	China Merchant Bank 18 th Floor, 20 Fenchurch Street London EC3M 3BY
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Director's Report

Introduction

The Director presents his Annual Report and the audited financial statements of the Company for the year ended 31 December 2019. This Director's Report includes additional information required to be disclosed under the Companies Act 2006.

Results and dividend

The Company's results for the year are shown in the Statement of Comprehensive Income on page 13. The Director does not intend to declare a dividend for 2019 (2018: £nil).

Financial instruments

The Company has a robust risk management process that follows a sequence of risk identification, assessment of probability and impact, and owner assignment to manage mitigation activities. The Company's financial instruments fall into one of two categories - receivables at amortised cost (Financial Assets) and loans and other liabilities at amortised cost (Financial Liabilities). More detail on financial instruments is provided in Note 23.

Receivables at amortised cost: these comprise of trade and other receivables, cash and cash equivalents.

Loans and other liabilities held at amortised cost: these comprise trade and other payables, debt and the banking facilities.

These financial instruments are subject to a number of risks. The main types of risks are market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks and agrees the policies for managing each of these risks. The Company does not engage in the trading of financial assets for speculative purposes nor does it write options.

Stakeholder relationships

The directors acknowledge the importance of relationships with the company's customers and suppliers. The company has structured to manage and develop its supplier base to ensure the close partnership between the company and its suppliers. The company focuses on growing with its customers and suppliers. KPIs are used to measure suppliers' performance and the company invests in product development with its suppliers to ensure the close relationship. Regular feedback with customers is reviewed by the executive team to ensure customer intimacy.

Transactions with related parties

The transactions entered into by the Company with parties who are related to it are detailed in Note 25.

Political donations

The Company made no political donations during the year (2018: £nil).

Post balance sheet events

These are detailed in Note 27.

Going concern

The Director has considered Going Concern and more details can be found in Note 3.

Directors

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

Name	Role	Appointed	Resigned
Yun Chen	Non-Executive Chairman	31 October 2017	
Paul Strothers	Director	9 September 2019	
Xiajie Wang	Director	9 September 2019	29 July 2020
Ling Muk Lai	Chief Commercial Officer	9 September 2019	29 July 2020
Christopher Leese-Wood	Chief Executive Officer	9 September 2019	2 December 2019
Neil Cairns	Chief Executive Officer	28 September 2020	

Director's Report *(continued)*

Disclosure of information to auditor

The Director who held office at the date of approval of this Director's Report confirm that, so far as they are each aware, there is no relevant audit information (as defined by section 418 (3) of the Companies Act 2006) of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.


Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Shinewing Wilson Accountancy Limited therefore will continue in office.

By order of the Board



Yun Chen
Director

24.12.2020

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. 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:

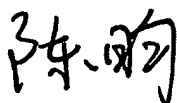
- a) select suitable accounting policies and then apply them consistently,
- b) make judgments and accounting estimates that are reasonable and prudent,
- c) prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.
- d) state whether applicable International Financial Reporting Standards as adopted by the European Union have been followed for the financial statements, subject to any material departures disclosed and explained in the financial statements.

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.

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.

The Directors confirm that so far as they are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Company's auditors are unaware. They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



Yun Chen
Director

24.12.2020

Independent Auditor's Report to the Members of Acro Aircraft Seating Limited

Opinion

We have audited the financial statements of Acro Aircraft Seating Limited (the 'Company'), which comprise the Statement of Financial Position as at 31 December 2019, and the Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flow for the year then ended, 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended;
- have been properly prepared in accordance with International Reporting Standards (IFRSs) as adopted by the European Union; 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

In forming our opinion on the financial statements, we have considered the adequacy of the disclosure made in the Note 3 to the financial statements concerning the Company's ability to continue as a going concern. At year end date, the Company was in a position of net liabilities of £4.5m and net current liabilities of £12.5m, respectively. However, the Company has financial support from its parent company and cash flow forecast, indicating the Company's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom withdraw from European Union and current Covid 19 situation, are not clear. It is difficult to evaluate all of the potential impacts on the Company's trade.

Other information

The other information comprises the information included in the financial statements other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Independent auditor's report to the members of Acro Aircraft Seating Limited *(continued)*

Matters on which we are required to report by exception

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.

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

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

Responsibilities of directors

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

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

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://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.



Julie Zhuge Wilson
Senior Statutory Auditor
For and on behalf of
Shinewing Wilson Accountancy Limited
Statutory Auditor
9 St. Clare Street
London
EC3N 1LQ

24/12/ 2020

Statement of Comprehensive Income
For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Revenue	5	50,732	39,391
Cost of sales		(42,010)	(30,001)
		<hr/>	<hr/>
Gross profit		8,722	9,390
Distribution expenses		(1,844)	(1,713)
Administrative expenses		(10,838)	(7,069)
		<hr/>	<hr/>
Operating profit / (loss)	6	(3,960)	608
Financial income / (expenses)	9	77	46
		<hr/>	<hr/>
Profit / (loss) before tax		(3,883)	654
Taxation	10	(279)	(137)
		<hr/>	<hr/>
Profit / (loss) for the year		(4,162)	517
		<hr/>	<hr/>
Other comprehensive income		-	-
		<hr/>	<hr/>
Total comprehensive income for the year		(4,162)	517
		<hr/>	<hr/>

The notes on page 17 to 38 form part of these financial statements.

Statement of Financial Position
As at 31 December 2019

	Note	2019 £000	2018 £000
Non-current assets			
Property, plant and equipment	11a	2,388	1,749
Right of use assets	11b	1,396	-
Intangible assets	12	5,614	5,474
Investments	13	-	-
		<u>9,398</u>	<u>7,223</u>
Current assets			
Inventories	15	5,656	7,173
Trade and other receivables	16	6,590	6,646
Current tax assets		652	659
Cash and cash equivalents	17	1	239
		<u>12,899</u>	<u>14,717</u>
Total assets		<u>22,297</u>	<u>21,940</u>
Equity			
Share capital	22	-	-
Share premium		57	57
Treasury shares		(49)	(9)
Retained earnings		(4,495)	(56)
Total equity		<u>(4,487)</u>	<u>(8)</u>
Non-current liabilities			
Other interest-bearing loans and borrowings	18	28	2,958
Lease liabilities	11b	1,308	-
		<u>1,336</u>	<u>2,958</u>
Current liabilities			
Other interest-bearing loans and borrowings	18	6,146	2,018
Lease liabilities	11b	303	-
Trade and other payables	19	16,529	15,845
Employee benefits	20	409	270
Tax payable		12	15
Provisions	21	1,656	728
Deferred tax liabilities	14	393	114
		<u>25,448</u>	<u>18,990</u>
Total liabilities		<u>26,784</u>	<u>21,948</u>
Total equity and liabilities		<u>22,297</u>	<u>21,940</u>

The notes on page 17 to 38 form part of these financial statements.

These financial statements were approved by the Board of Directors on
signed on its behalf by:

Yun Chen
Director

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Company registered number: 05859680

Statement of Changes in Equity
For year ended 31 December 2019

	Share capital £000	Share premium £000	Treasury shares £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018	-	57	-	(573)	(516)
Total comprehensive income for the period					
Profit for the year	-	-	-	517	517
Total comprehensive income for the period	-	-	-	517	517
Transactions with owners, recorded directly in equity	-		(9)	-	(9)
Balance at 31 December 2018	-	57	(9)	(56)	(8)

	Share capital £000	Share premium £000	Treasury shares £000	Retained earnings £000	Total equity £000
Balance at 1 January 2019	-	57	(9)	(56)	(8)
Adoption of IFRS16	-	-	-	(277)	(277)
Restatement of balance at 1 January 2019	-	57	(9)	(333)	(285)
Total comprehensive income for the period					
Loss for the year	-	-	-	(4,162)	(4,162)
Total comprehensive income for the period	-	-	-	(4,162)	(4,162)
Transactions with owners, recorded directly in equity	-	-	(40)	-	(40)
Balance at 31 December 2019	-	57	(49)	(4,495)	(4,487)

The notes on page 17 to 38 form part of these financial statements.

The share capital of the business was £304 (2018: £304).

Statement of Cash Flow
For year ended 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
Cash flows from operating activities			
Profit / (loss) for the year		(3,883)	517
Adjustments for:			
Depreciation, amortisation and written off	<i>11, 12</i>	3,169	1,180
Loss on disposal of assets		-	74
Financial expense		77	110
RDEC ATL credit		-	(436)
Taxation	<i>10</i>	-	137
 (Increase)/decrease in trade and other receivables		63	(1,420)
(Increase)/decrease in inventories		1,517	(5,517)
(Decrease)/increase in trade and other payables		(3,349)	6,235
(Decrease)/increase in provisions and employee benefits		574	(99)
 Net cash from operating activities		(1,832)	781
 Tax received		-	11
Cash flows from investing activities			
Acquisition of property, plant and equipment	<i>11</i>	(1,447)	(1,488)
Capitalised development expenditure	<i>12</i>	(2,269)	(2,576)
 Net cash from investing activities		(3,716)	(4,064)
 Cash flows from financing activities			
Repurchase of own shares		(40)	(9)
Proceeds from new loan	<i>18</i>	5,639	4,910
Interest paid		(273)	(110)
Repayment of borrowings	<i>18</i>	-	(2,913)
Payment of finance lease liabilities	<i>18</i>	(16)	(17)
 Net cash from financing activities		5,310	1,861
 Net increase/(decrease) in cash and cash equivalents		(238)	(1,411)
Cash and cash equivalents at start of the year		239	1,650
 Cash and cash equivalents at 31 December	<i>17</i>	1	239

The notes on page 17 to 38 form part of these financial statements.

Notes to the financial statements

For year ended 31 December 2019

1. General information

Acro Aircraft Seating Limited (the “Company”) is a private company incorporated, domiciled and registered in England and Wales, registration number 05859680, the registered address is Eldon Way, Crick Industrial Estate, Crick, Northamptonshire, NN6 7SL.

Details of the Company are included within the Strategic Report at page 1 and the Directors’ Report at page 6, which should be read in conjunction with these Notes.

1.1 Basis of preparation

The Company’s financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union (“Adopted IFRSs”).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 28.

1.2 Basis of consolidation

The Company is exempt by virtue of S405 (2) of the Companies Act 2006 from the requirement to prepare group financial statements since inclusion of subsidiaries is not material for the purpose of giving a true and fair view, refer to Note 13. These financial statements present information about the Company as an individual undertaking and not about its group.

1.3 Comparative figures

Certain comparative figures have been restated where necessary to conform with current period presentation.

2. Application of new and revised International Financial Reporting Standards adopted by the European Union

2.1 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019.

- IFRS16 Lease (effective date 1 January 2019)
- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018)
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017)
- IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017)

Details of the impact of IFR16 have had are given in note 11b below. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Company as they are either not relevant to the Company’s activities or require accounting which is consistent with the Company’s current accounting policies.

2.2 New and revised IFRSs in issue but not yet adopted by the European Union

The following IFRSs have been issued but have not been adopted by EU and not yet applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- Amendments to IFRS 3 Business Combinations (issued on 22 October 2018): effective on 1 January 2020
- Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform (issued on 26 September 2019): effective on 1 January 2020
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018): effective on 1 January 2020
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018): effective on 1 January 2020

Notes to the financial statements

For year ended 31 December 2019

- Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (issued on 28 May 2020): expected endorsement in Q3/Q4 2020
- Amendments to IFRS 4 Insurance Contracts - deferral of IFRS19 (issued on 25 June 2020): expected endorsement in Q4 2020
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2 (issued on 27 August 2020): expected endorsement in Q4 2020

3. Going Concern

The Directors confirms that, after making appropriate enquiries and completing cash flow estimates to the end of the following year, they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company has made reasonable enquiries and so is confident that it will at least maintain its current banking trade loan facilities, which were reviewed in March 2020, and next review is due in March 2021. The ultimate parent company continues to be supportive of the business and has made operating capital available as required during the year.

For these reasons, the Directors continue to adopt the going concern basis in preparing the financial statements.

4. Accounting Policies

4.1 Measurement convention

The financial statements are prepared on the historical cost basis except as disclosed in the accounting policies below. The financial statements are presented in GBP and all values are rounded to the nearest thousands (£000) except as otherwise indicated.

4.2 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency, which is GBP, at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

4.3 Classification of financial instruments issued by the Company

Following the adoption of IFRS9, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes to the financial statements

For year ended 31 December 2019

4. Accounting policies (*continued*)

4.4 *Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

4.5 *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- Leasehold improvements - remaining life of the lease
- Plant and Machinery - 5 to 10 years
- Demo Seats - 2 years
- Fixtures and Fittings - 3 to 5 years
- Assets Under Construction - not depreciated

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Notes to the financial statements

For year ended 31 December 2019

4. Accounting policies (continued)

4.6 Intangible assets

i) New product development

Development cost expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to reliably measure the expenditure during development.

Research costs are expensed in the Statement of Comprehensive Income as incurred.

ii) Patents, trademarks and other IP

Patent and trademark expenditure is recognised as an intangible asset when the Company can demonstrate:

- its intention to complete and its ability to use or sell the patent or trademark;
- how the asset will generate future economic benefits;
- the availability of resources to complete the project; and
- the ability to reliably measure the expenditure during development.

Additionally, we consider those costs incurred where we will gain significant competitive advantage and benefit over multiple years from investments in our partners' ability to do business with us, such as the costs of becoming offerable with Airbus. The costs are capitalised to the extent the Company can demonstrate:

- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to reliably measure the expenditure during development.

To the extent these are not met, the costs are expensed in the Statement of Comprehensive Income as incurred.

iii) Internally generated software and systems

Expenditure on the research phase of projects to develop new customised software for IT systems is recognised as an expense as incurred. Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the Company intends to and has sufficient resources to complete the project;
- the Company has the ability to use or sell the software; and
- the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on software development.

iv) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Patents and trademarks 5 to 15 years
- Capitalised development costs 5 to 15 years
- Internally developed software 5 to 10 years

Notes to the financial statements

For year ended 31 December 2019

4. Accounting policies (*continued*)

4.7 Inventories

Inventories are stated at the lower of cost and net realisable value, and after provisions. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- raw materials - purchase cost;
- work in progress - cost of direct materials, and labour; and
- finished goods - cost of direct materials, overheads and labour.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4.8 Impairment excluding inventories and deferred tax assets

4.8.1 Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

4.8.2 Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units.

4.9 Employee benefits

4.9.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

4.9.2 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Notes to the financial statements

For year ended 31 December 2019

4. Accounting policies (continued)

4.10 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Provisions for warranties are made with reference to recent trading history and historic warranty claim information and the view of management as to whether warranty claims are expected. Provisions for bad debts and inventory obsolescence are made with reference to the ageing of receivables and inventory balances and the view of management as to whether amounts are recoverable. Provisions for dilapidations are made with reference to the building size and assessment of costs to restore the building to its original state.

4.11 Revenue

Revenue recognition

The Company adopted IFRS 15 'Revenue from Contracts with Customers' in the year ended 31 December 2016. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

Management notes that IFRS 15 does not include any guidance on how to account for loss making contracts. Accordingly, such contracts will be accounted for using the guidance in IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', where the assessment of whether a provision needs to be recognised takes place at the contract level.

The warranties given are assurance warranties and so are out of scope of IFRS15, as they relate to assurances that the seats will operate as promised and as set out in the contract. Management do not consider there to be any service type warranties. These warranties are assessed under IAS37.

Identification of the performance obligations within the contract is a key step to determining accounting under IFRS15. We consider there is a single type of obligation within our arrangements being either each shipset or delivery of spares. Revenue is recognised at a point in time for both shipsets and spares, in both cases in accordance with the contract with the customer either at a point of delivery or when the goods are available for collection, since none of the criteria for measurement over time are met. In the case of shipsets and spares, we have considered the possibility of alternative use, as this is a key consideration under IFRS15, and have concluded that in both cases there is an alternative use, albeit in the case of any shipset there would likely be a requirement for some re-work. The shipset encompasses the design, production and delivery at a point in time as per the customer request of enough of our seats to fill that part of the plan we have been asked to deliver. Spares include the production and delivery at a point in time as per the contract with the customer.

4.12 Expenses

4.12.1 *Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense. Until the 2018 financial year, leases of property were classified as operating leases, see note 4.5 for details. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

4.12.2 *Finance lease payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Notes to the financial statements

For year ended 31 December 2019

4 Accounting policies (*continued*)

4.12.3 *Financing income and expenses*

Financing expenses comprise interest payable and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

4.13 *Taxation*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or payable to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the reporting date. Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised only to the extent that the Directors consider it is probable that there will be taxable profits from which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates enacted or substantively enacted by the reporting date. The carrying amount of deferred tax assets is reviewed at each financial period.

Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

4.14 *Operating Lease Arrangements*

The company has applied IFRS16 using the modified retrospective approach and therefore comparative information has not been restated and is presented under IAS17. The details of the accounting policies applied under both standards are presented separately below.

Policy applicable from 1 January 2019

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the company's incremental borrowing rate.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability. Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset.

The right-of-use assets are presented as a separate line in the statement of financial position.

Notes to the financial statements

For year ended 31 December 2019

4 Accounting policies (continued)

Policy applicable prior to 1 January 2019

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.

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.

5. Revenue

	2019 £000	2018 £000
UK	5,601	7,309
Europe excluding UK	13,447	9,498
Rest of the World	30,908	22,307
	<hr/>	<hr/>
	49,956	39,114
	<hr/>	<hr/>
Other income:		
Freight	505	267
Other	271	10
	<hr/>	<hr/>
	776	277
	<hr/>	<hr/>
Total revenue	50,732	39,391
	<hr/>	<hr/>

Revenue in the current and prior year relates to the sale of goods.

6. Expenses and auditor's remuneration

	2019 £000	2018 £000
Research and development costs	216	293
Depreciation of property, plant and equipment	1,029	621
Amortisation and impairment of intangible assets	694	559
Intercompany waiver	897	-
Operating lease expense	(16)	354
Net foreign exchange differences	(407)	(156)
Loss/(gain) on disposal of property, plant and equipment	12	-
Other operating lease rentals	60	32
	<hr/>	<hr/>

Auditor's remuneration:

	2019 £000	2018 £000
Audit of these financial statements	36	27
None audit services	-	-
	<hr/>	<hr/>

Notes to the financial statements

For year ended 31 December 2019

7. Staff numbers and costs

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

	Number of employees	
	2019	2018
Production	103	83
Distribution	14	15
Administration	80	72
	<u>197</u>	<u>170</u>

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	8,072	6,939
Social security costs	863	751
Contributions to defined contribution plans	812	606
	<u>9,747</u>	<u>8,296</u>

8. Directors' remuneration

	2019 £000	2018 £000
Directors' remuneration	269	158
Company contributions to money purchase pension plans	14	113
	<u>283</u>	<u>271</u>

The aggregate of remuneration of the highest paid directors was £227K (2018: £127K), and Company pension contributions of £14K (2018: £17K) were made to a money purchase scheme on the directors' behalf. The listed Director (Mr. Chen) is employed by the parent Company, and as such, receives no remuneration from the Company. The numbers disclosed here relate to the two Directors who resigned as Directors during the year. However, they remained as employees of the Company at the reporting date, and subsequently left the Company post year end (Note 27). The Company considers the Directors as key management personnel.

	Number of Directors	
	2019	2018
Retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	1	2
	<u>1</u>	<u>2</u>

9. Finance income and expense

Finance Expense	2019 £000	2018 £000
Total interest expense on financial liabilities measured at amortised cost	330	110
Amortisation of borrowing costs associated to long term financial liabilities	-	-
Net foreign exchange (gains) / losses	(407)	(156)
	<u>(77)</u>	<u>(46)</u>
Total finance expense	(77)	(46)

Notes to the financial statements

For year ended 31 December 2019

10. Taxation

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of illustrative corporation tax at 19.00% (2018: 19%) and the reported tax expense in the statement of comprehensive income are as follows:

Recognised in the income statement

	2019 £000	2018 £000
Current tax expense		
Current year	-	83
Adjustments for prior years	-	-
Foreign taxation	-	(34)
	<hr/>	<hr/>
Current tax expense	-	49
	<hr/>	<hr/>
Deferred tax expense		
Origination and reversal of temporary differences (Note 14)	279	88
Adjustments in respect of prior periods	-	-
Effect of tax rate change on opening balance	-	-
	<hr/>	<hr/>
Deferred tax expense	279	88
	<hr/>	<hr/>
Total tax expense / (credit)	279	137
	<hr/>	<hr/>

Reconciliation of effective tax rate

	2019 £000	2018 £000
Profit/(Loss) excluding taxation	(4,162)	654
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19.0% (2018: 19%)	(791)	124
Fixed asset differences	-	8
Expenses not deductible for tax purposes	498	7
Income not taxable for tax purposes	-	(2)
Other permanent differences	-	54
Effect of changes in the tax rate	-	(20)
Tax not recognised	14	-
Foreign tax charge	-	(34)
	<hr/>	<hr/>
Total tax expense	279	137
	<hr/>	<hr/>

The Company takes advantage of the government's R&D tax enhanced relief. In 2016, the Company qualified to receive R&D tax relief under the small and medium sized enterprise rules. In 2017, following the acquisition by Zhejiang Tiancheng Science & Technology Investment Co., Ltd. ("ZTC"), the Company qualified for RDEC tax enhancement under the large company rules. Tax credits under the large company rules are recognised within Administration Expenses (Note 6).

Notes to the financial statements

For year ended 31 December 2019

11.

11a. Property, plant and equipment

	Leasehold improvement £000	Plant and equipment £000	Demo seats £000	Fixtures & fittings £000	Under construction £000	Total £000
Cost						
Balance at 1 January 2018	360	860	-	755	75	2,050
Additions	70	1,060	173	185	-	1,488
Disposals	-	-	-	-	(74)	(74)
Transfers	-	-	-	-	-	-
Balance at 31 December 2018	430	1,920	173	940	1	3,464
Balance at 1 January 2019	430	1,920	173	940	1	3,464
Additions	89	522	49	123	664	1,447
Disposals	-	-	-	(18)	-	(18)
Transfers	-	488	22	-	(510)	-
Balance at 31 December 2019	519	2,930	244	1,045	155	4,893
Depreciation and impairment						
Balance at 1 January 2018	195	481	-	418	-	1,094
Depreciation charge for the year	34	389	53	145	-	621
Disposals	-	-	-	-	-	-
Balance at 31 December 2018	229	870	53	563	-	1,715
Balance at 1 January 2019	229	870	53	563	-	1,715
Depreciation charge for the year	58	466	99	190	-	813
Disposals	(16)	-	-	(7)	-	(23)
Balance at 31 December 2019	271	1,336	152	746	-	2,505
Net book value						
At 31 December 2018	201	1,050	120	377	1	1,749
At 31 December 2019	248	1,594	92	299	155	2,388

Property, plant and equipment under construction

Plant & equipment includes £55,000 net book value of assets held under finance lease.

Notes to the financial statements

For year ended 31 December 2019

11b. Right of use assets

This note provides information for leases where the company is a lessee.

	2019 £000	2018 £000
Recognised in the balance sheet		
Right-of-use assets		
Building	1,396	-
Lease liabilities		
Current	303	-
Non-current	1,308	-
Equity		
Retained earnings	(333)	(56)
	2019 £000	2018 £000
Recognised in the income statement		
Depreciation charge of right-of-use assets		
Building	(233)	-
Interest expense (included in finance cost)	(57)	-

The company has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2019, including application of IFRS16 in relation to leases.

IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019.

The standard represents a significant change in the accounting and reporting of leases for lessees as it provides a single lessee model, and as such, requires lessees to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is 12 months or less.

On adoption of IFRS16 the company has recognized within the balance sheet a right of use asset and lease liability for all applicable leases, with the income statement rent expense being replaced by depreciation and an interest expense. This has resulted in a decrease in administrative expenses and an increase in finance expenses.

As a lessee the company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS16 the company recognises right to use assets and lease liabilities in relation to the property it leases from a fellow subsidiary company. All other leases are short term in their nature or of a value to be exempt from the requirements of IFRS16.

The average discount rate applied to all leases on transition is 3%, which the company assesses to be the incremental borrowing rate applicable for the period.

The company has applied the modified retrospective approach, with recognition of transitional adjustments on the date of initial application, 1 January 2019, and there has been no restatement of comparatives. There was no change in the opening equity balances resulting from the change in accounting policy.

Notes to the financial statements

For year ended 31 December 2019

12. Intangible assets

	New product development £000	Software £000	Trademarks and other IP rights £000	Total £000
Cost				
Balance at 1 January 2018	3,206	28	296	3,530
Additions-internally developed	2,386	-	190	2,576
Disposals	-	-	-	-
Balance at 31 December 2018	5,592	28	486	6,106
Balance at 1 January 2019	5,592	28	486	6,106
Additions – internally developed	2,220	-	49	2,269
Written off	(1,560)	(28)	(68)	(1,656)
Balance at 31 December 2019	6,252	-	467	6,719
Amortisation and impairment				
Balance at 1 January 2018	-	28	45	73
Amortisation for the year	498	-	61	559
Balance at 31 December 2018	498	28	106	632
Balance at 1 January 2019	498	28	106	632
Amortisation for the year	624	-	70	694
Written off	(193)	(28)	-	(221)
Balance at 31 December 2019	929	-	176	1,105
Net book value				
At 31 December 2018	5,094	-	380	5,474
At 31 December 2019	5,323	-	291	5,614

Impairment loss and subsequent reversal

In 2019, trademarks and other IP rights of £68,000 were disposed of as a result of patent applications being abandoned. The impairment has been recognised through the income statement.

Management tested new product development for impairment, and concluded that no impairment (2018: Nil) was required.

Amortisation and impairment charge

The amortisation and impairment charges are recognised in administration expenses.

Notes to the financial statements

For year ended 31 December 2019

13. Investments in subsidiaries

Details of the Company's principal subsidiaries held at 31 December 2019 are as follows:

	Registered office address	Class of shares held	Ownership	
			2019	2018
Acro Aircraft Seating Inc.	1440 Brickell Bay Dr. Apt 302, Miami, FL 33131-3602	Ordinary shares	100%	100%
Anke Aircraft Seating (Shanghai) Co., Limited	No.1 Renjie South Road, Fengxian District Shanghai P.R.China	Ordinary shares	100%	100%

Acro Aircraft Seating Inc. is incorporated in the State of Delaware in USA, and it is dormant in 2019 & 2018.

Anke Aircraft Seating (Shanghai) Co., Limited was incorporated on 3 August 2018, Subsequently, no shares were issued and no trading during the year. The company only incurred £2,473 expense which is trivial.

14. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net liability	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Property, plant and equipment	-	-	233	67	233	67
Intangible assets	-	-	779	664	779	664
RDEC	(226)	(156)	-	-	(226)	(156)
Provisions	-	(66)	-	-	-	(66)
Tax value of loss carry-forwards	(393)	(395)	-	-	(393)	(395)
Net tax (assets) / liabilities	(619)	(617)	1,012	731	393	114

14.7.1 Movement in deferred tax during the year

	1 January 2019 £000	Recognised in income £000	31 December 2019 £000
Property, plant and equipment	67	166	233
Intangible assets	664	115	779
RDEC	(156)	(70)	(226)
Provisions	(66)	66	-
Tax value of loss carry-forwards utilised	(395)	2	(393)
	114	279	393

14.7.2 Movement in deferred tax during the prior year

	1 January 2018 £000	Recognised in income £000	31 December 2018 £000
Property, plant and equipment	75	(8)	67
Intangible assets	379	285	664
RDEC	(73)	(83)	(156)
Provisions	(99)	33	(66)
Tax value of loss carry-forwards utilised	(256)	(139)	(395)
	26	88	114

Notes to the financial statements

For year ended 31 December 2019

14. Deferred tax assets and liabilities (continued)

The rate of corporation tax throughout the year was 19%. A reduction to 18%, due to come into effect from 1 April 2020, was substantively enacted on 6 September 2016. However, the current government announced that this reduction would be put on hold and this was confirmed in the recent Budget on 11 March 2020 and the rate will remain at 19% past 1 April 2020. Therefore, deferred taxes at the balance sheet date have been measured using the most recent enacted tax rate at 19% and reflected in these financial statements.

15. Inventories

	2019 £000	2018 £000
Raw materials and consumables	4,045	5,070
Work in progress	1,337	1,425
Finished goods	274	678
	<hr/> 5,656	<hr/> 7,173
	<hr/> <hr/>	<hr/> <hr/>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £35,093K (2018: £25,113K). The write-down of inventories to net realisable value amounted to £1,148K (2018: £469K). The write-down value is included in cost of sales.

16. Trade and other receivables

	2019 £000	2018 £000
Trade receivables	2,920	1,770
Other receivables	1,308	1,851
Amounts due from related parties (note 25)	930	424
Prepayments and accrued income	1,432	2,601
	<hr/> 6,590	<hr/> 6,646
	<hr/> <hr/>	<hr/> <hr/>

The banking facilities continue to have floating charges over our assets. Full details are available at Companies House. Included within trade and other receivables is £nil (2018: £nil) expected to be recovered in more than 12 months.

Trade and other receivables are held at amortised cost. Trade receivables is considered not necessary to be impaired, and other classes of financial assets included within trade and other receivables do not contain impaired assets.

17. Cash and cash equivalents/ bank overdrafts

	2019 £000	2018 £000
Cash and cash equivalents per Statement of Financial Position and Statement of Cash Flow	1	239
	<hr/>	<hr/>

Notes to the financial statements

For year ended 31 December 2019

18. Other interest-bearing loans and borrowings

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2019 £000	Carrying amount 2019 £000	Face value 2018 £000	Carrying amount 2018 £000
Short term							
Bank overdraft	GBP			216	216	-	-
Trade loan from HSBC*	GBP	2.75% Over BOE base rate	2020	3,001	3,001	2,000	2,000
Asset Financing	GBP	4.6%	2020	19	19	18	18
China Merchant Bank - loan	GBP	3.0%	2020	2,910	2,910	-	-
				6,146	6,146	2,018	2,018
Long term							
China Merchant Bank - loan	GBP	3.0%	2020	-	-	2,910	2,910
Asset Financing	GBP	4.6%	2022	28	28	48	48
				28	28	2,958	2,958
Total loans				6,174	6,174	4,976	4,976

*HSBC put a fixed and floating charge over all Company's assets.

	Loans and borrowings £000
Balance at 1 January 2019	4,976
Changes from financing cash flows	
Proceeds from loans and borrowings	1,217
Repayment of borrowings	(19)
Total changes from financing cash flows	6,174
Other changes	
Transaction costs related to loans and borrowings	-
Balance at 31 December 2019	6,174

Notes to the financial statements

For year ended 31 December 2019

19. Trade and other payables

	2019 £000	2018 £000
Current		
Trade payables	6,126	6,042
Accruals and deferred income	4,212	6,873
Amounts due to related parties (note 25)	5,587	1,202
Other creditors	604	1,728
	16,529	15,845

Trade and other payables are held at amortised cost.

Included within trade and other payables is £nil (2018: £nil) expected to be recovered in more than 12 months.

20. Employee benefits

	2019 £000	2018 £000
Pension and other employee obligations - current		
Defined contribution liability	66	50
Other short term employee obligations	343	220
	409	270

21. Provisions

	Warranty provision £000	Dilapidation provision £000	Total £000
Balance at 1 January 2019	400	328	728
Provisions made during the year	900	28	928
Provisions used during the year	-	-	-
Balance at 31 December 2019	1,300	356	1,656
Current	1,300	356	1,656
	1,300	356	1,656

The current warranty provision is expected to unwind within a year, and will be replaced with new provisions. The dilapidation provision relates to the leased property at Old Brighton Road, Lowfield Heath, Crawley, with the first break clause on 31 December 2019, and the lease ending on 31 December 2024.

There were £45K (2018: £66K) of capital commitments at the end of the financial period.

Notes to the financial statements

For year ended 31 December 2019

22. Capital and reserves

Share capital

	2019 No. of shares	2018 No. of shares
On issue at 1 January	303,778	303,778
Issued for cash	-	-
	<hr/>	<hr/>
On issue at 31 December – fully paid	303,778	303,778
	<hr/>	<hr/>
	2019 £	2018 £
<i>Allotted, called up and fully paid</i>		
302,778 (2017: 302,778) Ordinary shares of £0.001 each	303	303
1,000 (2017: 1,000) Ordinary A shares of £0.001 each	1	1
	<hr/>	<hr/>
	304	304
	<hr/>	<hr/>

At the balance sheet date, the Company has two classes of share – Ordinary and Ordinary A shares.

On 31st October 2017 the Company re-designated 112,500 of Ordinary A shares, 2,778 of Ordinary B shares, and 15,000 Ordinary C shares to Ordinary shares, as a result of the Company's acquisition by Acro Holdings Limited, resulting in a total of 302,778 Ordinary shares allotted, called up and fully paid. In addition, 1,000 Ordinary A shares were allotted, called up and fully paid. Total issued share capital as at 31st December 2017 was 303,778 shares of £0.001 each. Details of the rights and obligations attached to the shares along with the current shareholders are set out in the Company's Articles of Association and Annual Return, which are available online at Companies House.

Treasury Shares

On 31st October 2017, the Company was acquired by Acro Holdings Limited. On this date Acro Holdings Limited acquired the shares held by EBT. As at 31 December 2017 the EBT held nil of the Company's shares.

During the financial year, the shareholders of the Company approved ordinary and special resolutions on 23 February, 5 September, and 3 December, respectively, for the Company to repurchase its own shares. The Company repurchased 156 of its issued shares at £8,892, pursuant to the provisions of Section 659 of the Companies Act 2006 and The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003. The repurchased shares held as treasury shares may be distributed as share dividends, reissued, cancelled or any combination of the three opinions.

As treasury shares, the rights attached as to voting, dividends, participation in other distribution and otherwise are suspended, and the treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares for any purposes, including substantial shareholdings, takeovers, notices, the requisitioning of meetings, the quorum for a meeting, and the result of a vote on a resolution at a meeting.

Notes to the financial statements

For year ended 31 December 2019

23. Financial instruments

The Company's policy on non-derivative financial instruments is explained in Note 4.6.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk falls into two main types: foreign currency risk, and interest rate risk.

Foreign currency risk

The Company's exposure to foreign currency risk primarily arises when revenue and costs are denominated in a different currency to the Company's functional currency. The Company's overseas trade is predominantly in GBP. There is a limited number of overseas suppliers paid in USD and EUR. As such, the Company's management has deemed foreign currency risk immaterial. The Company does not hedge for foreign currency risk.

In 2019, gains and losses charged to the Statement of Comprehensive Income amounted to a gain of £407,000 (2018: gain of £156,000).

Interest rate risk

The Company's policy is to minimise interest rate risk exposures on long-term financing. Longer-term borrowings are accordingly at fixed rates. To the extent that they have balances outstanding, the Company is exposed to interest rate movements on the floating rate balances with HSBC. The sensitivity is considered immaterial to the Company, as the impact on profit before taxes is less than £10,000 for a movement of 25 basis points. The assigned movement in basis points for interest rate sensitivity analysis is based upon the current market environment.

Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to credit risk mainly as a result of its operating activities, and from cash and cash equivalents, and other financial instruments.

The Company continuously monitors customer and other counterparties' defaults, and adopts appropriate controls to mitigate risk. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties.

The Company's management consider that all of the financial assets that are not impaired or past due for each of the 31 December reporting dates under review are of good credit quality. At 31 December the Company has certain trade receivables that have not been settled by the contractual due date. A provision for doubtful debt of £63,000 (2018: £190,000) is held. This relates to the administration of Thomas Cook.

The Company's trade receivables are primarily airline industry related, and therefore exposed to industry specific risks. The exposure is part mitigated by the geographical diversification of our customer portfolio, and the negotiated credit terms. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Liquidity Risk

Liquidity risk arises from the Company's ability to meet its obligations. The Company manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a rolling 3 month outlook period are completed monthly with a longer term view without one year completed alongside the budget and quarterly reforecasting process. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the outlook period. The Company's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. This objective was met for the reporting periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit.

Notes to the financial statements

For year ended 31 December 2019

24. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings 2019 £000	Other 2019 £000	Land and buildings 2018 £000	Other 2018 £000
Less than one year	-	12	339	12
Between two and five years	-	-	1,357	-
More than five years	-	-	339	-
	-	12	2,035	12

The Company leases a property for offices, warehouse and factory facilities under operating leases. Land and buildings have been considered separately for lease classification. From 1 January 2019, the group has recognised right-of-use assets for these leases.

25. Related parties

		Receivables outstanding		Payables outstanding	
Related party		2019 £000	2018 £000	2019 £000	2018 £000
Zhejiang Tiancheng Controls Co. Ltd	Ultimate parent	860	300	5,587	1,202
Acro Holdings Ltd	Immediate parent	70	8	-	-
Acro Premium Seating Ltd	Fellow subsidiary	-	416	-	-
		930	724	5,587	1,202

The amounts due from the ultimate parent company and immediate parent company represent the recharge of service provided by the company, charge for the year amounted £560K (2018: £300K) and £62K (2018: £8K) respectively.

The recharge to fellow subsidiary Acro Premium Seating Ltd and amounts due were waived during the year.

Included in the amount due to the ultimate parent company, during the year additional loan of £4m were various short terms loans from Zhejiang Tiancheng Controls Co. Ltd with interest rate 0-5%, interest expense charged in year 2019 amounted to £86K (2018: £2K).

The Company Directors' emoluments are included in Note 8.

Notes to the financial statements

For year ended 31 December 2019

26. Ultimate parent company and parent company of larger group

The immediate parent company is Acro Holdings Limited, a company registered in the UK and ultimate parent company is Zhejiang Tiancheng Controls Company Limited, a company registered in China and floated in the Shanghai stock exchange (ticker symbol 603085 on en.china-tc.com). The ultimate controlling party is Mr Bangrui Chen.

The smallest and largest undertaking for which the Company is a member and for which group financial statements are prepared is Zhejiang Tiancheng Controls Company Limited.

27. Subsequent events

There are no events subsequent to the balance sheet date that give rise to adjustment in the Company's accounts for 2019. The Company's key management Mr. Wang, who was previously a Director of the Company, has left the business post year end on 29 July 2020. Neil Cairns was appointed as the Company's Chief Executive Officer on 28 September 2020.

The Covid 19 pandemic has had a substantial impact on the aviation industry in general and Acro in particular, the business has seen a drop in sales due to orders being delayed in to future years. The business has undergone a restructuring process to streamline the number of staff to the reduced revenue numbers and the one-time costs for this have been recognised in the 2020 accounts.

The business's parent company, ZTC, has supported the business with significant amount of cash injection during 2020 to ensure the business has sufficient cashflow for the challenging trading environment. It has also ensured the company could carry out the restructuring process and the relocation which is showing as below.

The business has taken advantage of this quieter time to relocate to larger premises in Northampton, the upside if the pandemic is that we are able to achieve this relocation with minimal disruption to our ability to deliver to our Customers. This is being funded by our ultimate parent company and further demonstrates their belief in the future development of Acro.

Notes to the financial statements

For year ended 31 December 2019

28. Accounting estimates and judgements

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. 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.

Provisions for warranties, bad debts, inventory obsolescence and dilapidations

Provisions for warranties are made with reference to recent trading history and historic warranty claim information and the view of management as to whether warranty claims are expected. Provisions for bad debts and inventory obsolescence are made with reference to the ageing of receivables and inventory balances and the view of management as to whether amounts are recoverable. Provisions for dilapidations are made with reference to the building size and assessment of costs to restore the building to its original state.

Bad debt and warranty provisions will be determined with consideration given to recent customer trading and management experience, and provision for inventory obsolescence to sales history and to latest sales forecasts.

Impairment of intangible assets

The Company's accounting policy for impairment of intangible assets is set out in Note 4.8. Intangible assets are reviewed for impairment annually if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Revenue recognition

The Company's revenue recognition policy is set out in Note 4.13. Management has assessed the application of IFRS 15 using the five step model framework, within which the following critical accounting judgements were made:

- i) Identify the contract with the customer – the contract with the customer is defined and agreed;
- ii) Identify the performance obligations – these are taken to be the separate delivery of shipset of spares;
- iii) Determine the transaction price – defined in the contract as there are no variable elements;
- iv) Allocated the transaction price to the performance obligations – relates to either the shipset or spares;
- v) Recognise revenue when the entity satisfies a performance obligation – at the point in time when the shipset or spares are delivered or made available to the customer as per the contract terms, given the nature of what is being delivered, as this is when the customer gains an economically useful asset.

In the case of shipsets and spares, we have considered the possibility of alternative use, as this is a key consideration under IFRS 15, and concluded that in both cases there is an alternative use albeit in the case of any shipset there would likely be a requirement for some re-work. As a result of this, management consider the design, production and delivery of a shipset or spare parts as the key performance obligation and recognise revenue at a point in time, as none of the criteria for recognition over time are met as an asset is created which has an alternative use.

Lease

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, The company used incremental borrowing rates of 3% to all the leases.