Company Registration No. 05859680 (England and Wales)

ACRO AIRCRAFT SEATING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2021

76 New Cavendish Street
London
W1G 9TB

ACRO AIRCRAFT SEATING LIMITED

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ACRO AIRCRAFT SEATING LIMITED

COMPANY INFORMATION

Directors	N Cairns Y Chen P Strothers
Secretary	M Caines
Company number	05859680
Registered office	Eldon Way Crick Industrial Estate Crick Northampton NN6 7SL
Auditor	TC Group 76 New Cavendish Street London W1G 9TB
Business address	Eldon Way Crick Industrial Estate Crick Northampton NN6 7SL

The directors present the strategic report for the year ended 31 December 2021.

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 then 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.

Due to the COVID-19 pandemic, the aviation industry was significantly impacted. The business during 2021 suffered significant revenue reduction. Customers delayed orders from 2021 into 2022 and 2023. However, during the last quarter of the year, there are signs of recovery in US domestic market and China domestic markets where the business has a presence.

The business has taken serious actions to react to the challenging market and the management team as well as the parent company are determined to invest in future growth.

REVIEW OF BUSINESS

Our business models

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 our business by maintaining a range of forward looking, continuous improvement projects that are embedded 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. In 2021, we focus on developing new generation for Series 6 which will bring more benefit for our customers with greater cost effectiveness.

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 positive reaction in the market place will drive interest in this key area following the market recovering.

Series 9:
This exciting new product was launched at the Hamburg AIX Trade Show in June 2022, it is designed to be more robust and is lighter than previous seats. The Series 9, a seat without compromise delivers more; a lightweight, robust and comfortable seat with exceptional living space even in high density cabins.
The innovative seat architecture is an all-new design. The integrated headrest offers support for passengers of all sizes, the cleverly designed armrest provides additional space where it's needed most, and the fully optimised aluminium alloy structure gives the new Series 9 an impressive pax weight from 7.5kg.
Class-leading pax width has been achieved without compromise to either armrest or aisle width, making travel more comfortable for the crew and providing passengers with outstanding stretch-out legroom even at a reduced pitch.
The new Series 9 platform of seats meets the rigorous demands of all airlines from short haul to long haul, plus our impressive range of feature options enable you to customise the seat to support your individual requirements and reflect your unique brand attributes.

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.

A significant milestone has been becoming a supplier to Boeing, this will allow us to sell seats to Customers that are purchasing new aircraft from Boeing, and this has the potential to be a step change for the business. The first deliveries to Boeing – on behalf of Allegiant in the US – are scheduled for early in 2023.

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 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.

During 2020 and 2021, the business was impacted significantly by COVID-19, however, with the financial backing from the parent company, the business carried out significant restructuring to reduce the cost and minimise the financial impact to the business.

The parent company and the management team were determined to invest in future growth and therefore the business made strategic relocation in November 2020. The new premises provide 100% capacity increase with better location access to resources i.e., skilled employee for manufacturing and better for logistics. This strategic move has demonstrated that the business is looking for the long-term growth.

Key performance
The overall performance is in line with management expectations as we emerge from the Global Pandemic.

Revenue 2021: £32.35m (2020: £16.32m)
- Sales hit by the Covid-19 shutdown of the aviation industry
- Further deliveries of Series 6

Gross profit and margins 2021: £7.10m and 22% (2020: £2.31m and 14%)
- The revenue increase from the prior year has delivered an increased gross profit margin

Loss before tax 2021: £4.62m (2020: loss £7.35m)
- Driven by the drop in sales due to the pandemic as well as restructuring costs.
- Increasing in amortisation on investment in product development, which is a part of our strategic plan in order to focus and prepare for the future growth from both the current order book and orders we intend to win.
- redundancy payments

Intangible assets 2021: £7.04m (2020: £5.89m)
- Mainly is Series 6 development capitalised.
- 2022 will see the continued development of Series 6 and 7 as we adapt these products to other airframes to widen the addressable market.
- We are also developing a Series 9 product that will launch in 2022.
- The Directors expect 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.

Future trends

The year, despite the impact by COVID-19, we continued 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 'line fit offer ability' 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, 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.
Mitigation: 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 a proactive approach to embrace the Brexit challenge. Project team have 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. The majority of our supply chain is either UK based, or based outside of Europe, therefore, we have seen minimal disruption due to Brexit. Sales going in to Europe have mostly been on an ex-works basis, therefore the burden of additional documentation sits with the Customer, not with Acro.

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.

8. Impact of Climate Change on Customer Demand.
Likelihood of occurring: Medium
Potential Impact: We note that the climate change movement is gathering pace on a global basis and we are aware that air travel is considered to be a major cause of climate change. In the longer term (ten years plus) we anticipate this having an effect on new aircraft sales with a trend towards refurbishing existing aircraft.
Mitigation: We are well placed as a business to carry out refurbishment work for existing aircraft in the event that the market moves away from new build aircraft. We are also carrying out multiple projects aimed at reducing the weight of our seats (lower weight = less fuel consumed = lower pollution) and this will form a sizable portion of our USP (Unique Selling Point) going forward.

NON FINANCIAL INFORMATION

Culture
The Board recognises 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 & Environmental 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 recognises the important role it must play and is highly committed to stakeholder engagement, this is par 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.

On behalf of the board

N Cairns
Director
21 December 2022

The directors present their annual report and financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the company continued to be that of design and manufacture of aircraft seats and spare parts supplying a wide variety of airline customers spanning the globe, through both linefit and retrofit markets.

Results and dividends

The results for the year are set out on page 16.

The Directors do not intend to declare a dividend for 2021 (2020; £nil).

Directors

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

N Cairns	
Y Chen	
J Shi	(Appointed 26 February 2021 and resigned 11 May 2022)
P Strothers	

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 loan and other liabilities at amortised cost (Financial Liabilities). More detail on financial instruments is provided in Note 19.

Receivables at amortised costs: 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 risk are market risks, 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.

Auditor

TC Group were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

Strategic Report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of; review of the business, performance indicators, principal risks and uncertainties, and future developments.

Statement of disclosure to auditor

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

Going Concern

The Directors have considered going concern and more details can be found in Note 1.2.

On behalf of the board

N Cairns
Director

21 December 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ACRO AIRCRAFT SEATING LIMITED

Qualified Opinion

We have audited the financial statements of Acro Aircraft Seating Limited (the 'company') for the year ended 31 December 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

Intangible assets

Included in the company's balance sheet is an intangible asset of £5.8m at 31 December 2020 and £7m at 31 December 2021, relating to the development of the company's products.

From March 2020, there were operational disruptions to the company's supply chains and the company experienced a significant reduction in revenue, due to the effects of Covid-19.

IAS 38 sets out the criteria for recognising an intangible asset, which must be met at the time the product development costs are incurred. One of those criteria is that it is probable that the company will generate sufficient revenue to recover the development costs. Product development costs have been capitalised on this basis.

IAS 36 requires assets within its scope to be tested for impairment when indicators of impairment exist at the end of a reporting period. Management have assessed the carrying value of the development costs and they believe that they have not impaired.

We have reviewed management's impairment assessment which included reviewing the cash flow forecasts used by management to perform their impairment assessment, and assessing the key assumptions used by management in their impairment assessment of the development costs.

In our view, the assumptions used by management, when considered together, are overly optimistic and a material impairment charge should have been recognised in the company's financial statements in March 2020; and subsequent expenditure on developing the company's products should have been expensed as incurred on the basis that the criteria for recognising an intangible asset were not met.

In our opinion, the intangible asset relating to the product development costs was overstated by £5.8m at 31 December 2020 and £7m at 31 December 2021 and, with the deficit on reserves being understated by £5.8m at 31 December 2020 and £7m at 31 December 2021.

Deferred tax

A deferred tax asset of £0.43m in respect of the future value of the tax losses was recognised in the accounts for the year ended 31 December 2020. By 31 December 2021, the deferred tax asset had increased to £1.47m.

IAS 12 states a deferred tax asset is recognised for an unused tax loss carried forward if, and only if, it is considered probable that there will be sufficient future taxable profit against which the loss carry forward can be utilised.

We have considered management's assessment of the length of time before the company could likely utilise its tax losses carried forward, and in our view, this is too far away to meet the requirements of IAS 12.

It is on this basis that, in our opinion, a deferred tax asset in respect of the future value of the tax losses should not have been recognised at 31 December 2020 or at 31 December 2021 with the deficit on reserves being understated by a further £0.43m at 31 December 2020 and £1.47m at 31 December 2021.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

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

As described in the basis for qualified opinion section of our report, our audit opinion is qualified for inappropriate recognition of an intangible asset for product development costs, not recognising an impairment charge also in relation to the capitalised product development costs, and for the inappropriate recognition of a deferred tax asset. Information on intangible fixed assets for product development costs and on the deferred tax asset in the strategic report also omits this information and accordingly we have concluded that the other information is materially misstated for the same reason.

Opinions on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matters described in the basis for qualified opinion section of our report, 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 maybe impacted; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

Except for the matters described in the basis of qualified opinion section of our report, 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 and the directors' report.

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and its management.

Our approach was as follows:

- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations;
- We considered the legal and regulatory frameworks directly applicable to the financial statements reporting framework (FRS 101 and the Companies Act 2006) and the relevant tax compliance regulations in the UK;
- We considered the nature of the industry, the control environment and business performance, including the key drivers for management's remuneration;
- We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit;
- We considered the procedures and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included: testing manual journals; reviewing the financial statement disclosures and testing to supporting documentation; performing analytical procedures; and enquiring of management, and were designed to provide reasonable assurance that the financial statements were free from fraud or error.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-re

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.

Mark Levy (Senior Statutory Auditor)
For and on behalf of TC Group

Statutory Auditor

Office: London
22 December 2022

ACRO AIRCRAFT SEATING LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
Turnover	3	32,346	16,319
Cost of sales		(25,240)	(14,005)
Gross profit		7,106	2,314
Distribution costs		(3,701)	(1,301)
Administrative expenses		(7,174)	(8,479)
Other operating income		140	826
Exceptional items	4	(448)	(356)
Operating loss	5	(4,077)	(6,996)
Interest payable and similar expenses	8	(545)	(349)
Loss before taxation		(4,622)	(7,345)
Tax on loss	9	1,236	770
Loss and total comprehensive income for the financial year		(3,386)	(6,575)
Total other comprehensive income for the year		-	-
Total comprehensive income for the year		(3,386)	(6,575)

ACRO AIRCRAFT SEATING LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Fixed assets					
Intangible assets	**11**		7,039		5,888
Tangible fixed assets	**12**		10,998		11,897
			18,037		17,785
Current assets					
Stocks	**14**	4,610		5,466	
Debtors	**15**	11,848		6,592	
Cash at bank and in hand		635		173	
		17,093		12,231	
Creditors: amounts falling due within one year	**16**	(40,576)		(31,138)	
Net current liabilities			(23,483)		(18,907)
Total assets less current liabilities			(5,446)		(1,122)
Creditors: amounts falling due after more than one year	**16**		(8,003)		(8,678)
Provisions for liabilities					
Other provisions	**21**		(1,010)		(1,268)
Net liabilities			(14,459)		(11,068)
Capital and reserves					
Called up share capital	**23**		-		-
Share premium account	**24**		57		57
Other reserves	**25**		(57)		(52)
Profit and loss reserves			(14,459)		(11,073)
Total equity			(14,459)		(11,068)

The financial statements were approved by the board of directors and authorised for issue on 21 December 2022 and are signed on its behalf by:

N Cairns
Director
Company Registration No. 05859680

ACRO AIRCRAFT SEATING LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Share premium	Other reserves	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2020	-	57	(46)	(4,498)	(4,487)
Year ended 31 December 2020:					
Loss and total comprehensive income for the year	-	-	-	(6,575)	(6,575)
Transfer to other reserves	-	-	(6)	-	(6)
Balance at 31 December 2020	-	57	(52)	(11,073)	(11,068)
Year ended 31 December 2021:					
Loss and total comprehensive income for the year	-	-	-	(3,386)	(3,386)
Transfer to other reserves	-	-	(5)	-	(5)
Balance at 31 December 2021	-	57	(57)	(14,459)	(14,459)

1 Accounting policies

Company information

Acro Aircraft Seating Limited is a private company limited by shares incorporated in England and Wales. The registered office is Eldon Way, Crick Industrial Estate, Crick, Northampton, NN6 7SL. The company's principal activities and nature of its operations are disclosed in the directors' report.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest thousands (£'000).

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

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions from the requirements of IFRS:

- the requirement of IFRS 7 Financial Instruments: Disclosures;
- the requirement of paragraphs 91-99 of IFRS 13 Fair Value Measurements;
- the requirement of paragraph 52 of IFRS 16 Leases;
- the requirement of the second sentence of paragraph 110 and paragraph 113 (a), 114, 115, 118, 119 (a) to (c), 120 to 12 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D, 111 and 134 - 136 of IAS 1 Presentation of Financial Statements;
- the requirement of IAS 7 Statement of Cash Flows;
- the requirement in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Where required, equivalent disclosures are given in the group accounts of Zhejiang Tiancheng Controls Co. Ltd.

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

Acro Aircraft Seating Limited is a wholly owned subsidiary of Acro Holdings Limited and the results of Acro Aircraft Seating Limited are included in the consolidated financial statements of Zhejiang Tiancheng Controls Co. Ltd which are available from the website;
http://www.cninfo.com.cn

Companies Act 2006 Section 405 permits a subsidiary to be excluded from the consolidation where its inclusion is not material for the purpose of giving a true and fair view. The subsidiary, Acro Seating Inc. (USA) is a dormant company, and the subsidiary Anke Aircraft Seating Shanghai Co., Ltd is not material. These financial statements present information about the company as an individual undertaking and not about the group.

1 Accounting policies **(Continued)**

1.2 Going concern

The company incurred a loss before tax of £4.62 million during the year, had a net current liability of £23.48 million as at the balance sheet date including short term loans of £26.55 million from its ultimate parent company, Zhejiang Tiancheng Controls Co. Ltd.

The support of the parent company takes a number of forms, both in terms of cash support when required and the granting of extended credit (currently 360 days) terms where the parent company is acting as a trade supplier.

Although the short term loans from the ultimate parent company at year end were repaid in December 2022 (see note 27) the company has the continued support of the ultimate parent company, Zhejiang Tiancheng Controls Co. Ltd.

The company fully depends on its ultimate parent's financial support, and has received an undertaking that this support will remain available for at least 24 months from the date of signing these financial statements.

Based on this, the directors have concluded that the company has adequate resources to continue in its operational existence. The company therefore continues to adopt the going concern basis in preparing its financial statements.

1.3 Turnover

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discount, returns and value added tax. The company recognises revenue when performance obligations have been satisfied and for the company this is when the goods or services have transferred to the customer and the customer have control of these. The company's activities are described in detail below. The company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The company manufactures and sells a range of aircraft seating. Identification of the performance obligations within the contract is a key step to determining accounting under IFRS 15. 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 the point of delivery or when the goods are available for collection, since none of the criteria for measurement over time are met. In case of shipsets and spares, we have considered the possibility of alternative use, as this is the key consideration under IFRS 15, and have concluded 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.

The warranties given are assurance warranties and so are out of scope of IFRS 15, 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 IAS 37.

1 Accounting policies **(Continued)**

1.4 Intangible assets other than goodwill

i) Development costs

Development cost expenditure on an individual project is recognised as an intangible assets 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 effort will generate future economic benefits;
- the availability of resources to complete the asset; and
- ability to reliably measure the expenditure during development.

Research costs are expensed in the statement of comprehensive income as incurred.

ii) Patents, trademarks and licences

Patent and licence 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 licences;
- 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 the partners' ability to do business with, 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) 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, trademarks and licences: 5 to 10 years
- Capitalised development costs: 10 years

1 Accounting policies **(Continued)**

1.5 Tangible fixed assets

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.

Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Depreciation

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
Fixtures and fittings	3 to 5 years
Plant and equipment	5 to 10 years
Demo Seats	2 years
Rights of use assets	remaining life of the lease

Assets under construction are not depreciated.

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

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

1.6 Impairment of tangible and intangible assets

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

1 Accounting policies **(Continued)**

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

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

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

1.7 Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Stocks 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.

1.8 Cash at bank and in hand

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

1.9 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

1 Accounting policies **(Continued)**

Financial assets held at amortised cost

The company's financial assets measured at amortised cost comprise trade and other debtors and cash and cash equivalents in the balance sheet. Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and - for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within 'Creditors: amounts falling due within one year' financial liabilities on the balance sheet.

Impairment of financial assets

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

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

1.10 Financial liabilities

Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Interest expense in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade creditors and other short-term monetary liabilities, which are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.11 Equity instruments

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

1 Accounting policies **(Continued)**

1.12 Taxation

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

Current tax

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

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

1.13 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1 Accounting policies (Continued)

1.14 Employee benefits

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

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

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

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within tangible fixed assets, apart from those that meet the definition of investment property.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other tangible fixed assets. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

1 Accounting policies **(Continued)**

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

When the company acts as a lessor, leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees, over the major part of the economic life of the asset. All other leases are classified as operating leases. If an arrangement contains lease and non-lease components, the company applies IFRS 15 to allocate the consideration in the contract. When the company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately, classifying the sub-lease with reference to the right-of-use asset arising from the head lease instead of the underlying asset.

1.17 Grants

Government grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants will be received.

1.18 Foreign exchange

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

2 Critical accounting estimates and judgements

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

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

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

Useful lives of property, plant and equipment

Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in the company's accounting policy. The selection of these estimated lives requires the exercise of management judgement. Useful lives are regularly reviewed and should management's assessment of useful lives shorten then depreciation charges in the financial statements would increase and carrying amounts of property, plant and equipment would reduce accordingly. The carrying amount of property, plant and equipment by each class is included in note 1 and details of the useful lives are included within the accounting policy.

2 Critical accounting estimates and judgements **(Continued)**

Useful lives of intangible assets

Intangible assets are amortised over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue. These estimates are reviewed at least annually and changes to these estimates can result in significant variations in the carrying value and amounts charged to profit or loss. The carrying amount of intangible assets by each class is included in note 1 and details of the useful lives are included within the accounting policy.

Provisions for warranties and dilapidation, allowances for bad debts and inventory obsolescence

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 dilapidation are made with reference to the building size and assessment of costs to restore the building to its original state.

Allowances for bad debt are determined with consideration given to the aging of receivables, and for inventory obsolescence to the recent and history of customer trading and management experience.

Impairment of intangible assets

The Company's accounting policy for impairment of intangible assets is set out in Note 1. 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 1. 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 or 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.

2 Critical accounting estimates and judgements (Continued)

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 company 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 company uses recent third-party financing received 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.

3 Turnover

	2021	2020
	£'000	£'000
Turnover analysed by class of business		
Aircraft seating	29,065	13,758
Spare parts and miscellaneous items	3,281	2,561
	32,346	16,319

	2021	2020
	£'000	£'000
Other significant revenue		
Grants received	-	826

	2021	2020
	£'000	£'000
Turnover analysed by geographical market		
United Kingdom	585	2,164
Europe	5,879	3,943
United States of America	17,275	10,212
Rest of the World	8,607	-
	32,346	16,319

4 Exceptional items

	2021 £'000	2020 £'000
Loan to subsidiary written off	(5)	-
Redundancy and relocation costs	(348)	-
Loss on sale of intangible fixed assets	(85)	(354)
Loss on sale of tangible fixed assets	(10)	(2)
	(448)	(356)

5 Operating loss

	2021 £'000	2020 £'000
Operating loss for the year is stated after charging/(crediting):		
Exchange gains	(277)	(378)
Research and development costs	723	-
Government grants	-	(826)
Fees payable to the company's auditor for the audit of the company's financial statements	36	36
Depreciation of property, plant and equipment	1,729	1,150
Amortisation of intangible assets (included within administrative expenses)	994	742
Cost of inventories recognised as an expense	23,011	11,666

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2021 Number	2020 Number
Production	50	81
Distribution	10	10
Administration	60	77
Total	120	168

6 Employees (Continued)

Their aggregate remuneration comprised:

	2021	2020
	£'000	£'000
Wages and salaries	4,246	6,344
Social security costs	624	627
Pension costs	555	591
	5,425	7,562

7 Directors' remuneration

	2021	2020
	£'000	£'000
Remuneration for qualifying services	478	348
Company pension contributions to defined contribution schemes	73	14
	551	362

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2021	2020
	£'000	£'000
Remuneration for qualifying services	303	197
Company pension contributions to defined contribution schemes	38	14

8 Interest payable and similar expenses

	2021	2020
	£'000	£'000
Interest on financial liabilities measured at amortised cost:		
Interest on other loans	259	274
Interest on other financial liabilities:		
Interest on lease liabilities	286	75
Total interest expense	545	349

9 Taxation

	2021	2020
	£'000	£'000
Current tax		
UK corporation tax on profits for the current period	(43)	59
Adjustments in respect of prior periods	(243)	-
Tax expense relating to prior year adjustments recognised in profit or loss	(58)	-
Total UK current tax	(344)	59
Deferred tax		
Origination and reversal of temporary differences	(892)	(829)
Total tax (credit)	(1,236)	(770)

The charge for the year can be reconciled to the loss per the profit and loss account as follows:

	2021	2020
	£'000	£'000
Loss before taxation	(4,622)	(7,345)
Expected tax credit based on a corporation tax rate of 19.00% (2020: 19.00%)	(878)	(1,396)
Effect of expenses not deductible in determining taxable profit	-	48
Adjustment in respect of prior years	(358)	(393)
Fixed asset differences	-	20
Deferred tax not recognised	-	951
Taxation credit for the year	(1,236)	(770)

10 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	2021	2020
	£'000	£'000
In respect of:		
Intangible assets	-	635
Recognised in:		
Administrative expenses	-	635

11 Intangible fixed assets

	Development costs	Patents and licences	Total
	£'000	£'000	£'000
Cost			
At 31 December 2020	7,502	58	7,560
Additions - internally generated	2,139	40	2,179
Disposals	-	(34)	(34)
At 31 December 2021	9,641	64	9,705
Amortisation and impairment			
At 31 December 2020	1,664	8	1,672
Charge for the year	975	19	994
At 31 December 2021	2,639	27	2,666
Carrying amount			
At 31 December 2021	7,002	37	7,039
At 31 December 2020	5,838	50	5,888

12 Tangible fixed assets

	Leasehold improvements	Assets under construction	Fixtures and fittings	Plant and equipment	Demo Seats	Rights of use assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 31 December 2020	1,386	223	1,331	3,227	282	9,336	15,785
Additions	189	59	132	406	55	-	841
Disposals	-	-	(734)	(399)	(207)	-	(1,340)
Other	-	(223)	-	-	223	-	-
At 31 December 2021	1,575	59	729	3,234	353	9,336	15,286
Accumulated depreciation and impairment							
At 31 December 2020	324	-	885	1,802	235	642	3,888
Charge for the year	120	-	176	514	113	806	1,729
Eliminated on disposal	-	-	(726)	(397)	(206)	-	(1,329)
At 31 December 2021	444	-	335	1,919	142	1,448	4,288
Carrying amount							
At 31 December 2021	1,131	59	394	1,315	211	7,888	10,998
At 31 December 2020	1,062	223	446	1,425	47	8,694	11,897

12 Tangible fixed assets **(Continued)**

In September 2021 the company moved out of the leased premises in Crawley to a new premises in Crick. Since this date the Crawley property has been used for storage. The directors of the company expect to sublet the premises space for an amount no less than the remaining lease payments. On this basis the directors do not believe the right of use asset to be impaired.

13 Subsidiaries

At the balance sheet date, the company invested in the following subsidiaries, the total investment was less than £1,000.

Name of undertaking	Registered office	Class of shares held	% Held Direct	% Held Voting
Acro Aircraft Seating Inc.	USA	Ordinary	100	-
Anke Aircraft Seating (Shanghai) Co., Limited	P.R. China	Ordinary	100	-

14 Stocks

	2021 £'000	2020 £'000
Raw materials	3,628	4,918
Work in progress	608	382
Finished goods	374	166
	4,610	5,466

15 Debtors

	2021 £'000	2020 £'000
Trade debtors	6,026	1,155
Provision for bad and doubtful debts	(318)	-
	5,708	1,155
VAT recoverable	457	-
Amounts owed by fellow group undertakings	1,226	1,025
Other debtors	249	2,013
Prepayments and accrued income	2,880	1,963
	10,520	6,156
Deferred tax asset	1,328	436
	11,848	6,592

15 Debtors (Continued)

All amounts owed by group companies are unsecured, interest free and repayable on demand.

16 Creditors

		Due within one year		Due after one year	
		2021	**2020**	**2021**	**2020**
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Loans and overdrafts	**17**	2,826	2,915	-	-
Creditors	**18**	36,608	27,204	-	-
Taxation and social security		242	205	-	-
Lease liabilities	**19**	900	814	8,003	8,678
		40,576	31,138	8,003	8,678

Amounts owed to group undertakings are unsecured and interest bearing.

17 Loans and overdrafts

	2021	2020
	£'000	**£'000**
Borrowings held at amortised cost:		
Bank loans	2,826	2,915

	2021	2020
	£'000	**£'000**
Secured borrowings included above:		
Bank loans	(2,826)	(2,915)

Other loans and borrowings included £2.8 million (£2.9 million) HSBC fixed and floating charge over the company's assets. Interest rate is 2.75% over Bank of England base rate.

18 Creditors

	2021	2020
	£'000	**£'000**
Trade creditors	7,388	852
Amounts owed to fellow group undertakings	26,546	21,448
Accruals and deferred income	2,611	4,739
Other creditors	63	165
	36,608	27,204

19 Lease liabilities

Maturity analysis	**2021 £'000**	**2020 £'000**	**2021 £'000**	**2020 £'000**
Within one year	891	814	900	814
In two to five years	2,889	3,074	-	-
In over five years	5,114	5,596	-	-
Total undiscounted liabilities	8,894	9,484	900	814

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2021 £'000	**2020 £'000**
Current liabilities	900	814
Non-current liabilities	8,003	8,678
	8,903	9,492

Amounts recognised in profit or loss include the following:	**2021 £'000**	**2020 £'000**
Interest on lease liabilities	286	75

Other leasing information is included in note 26.

20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Tax losses
	£'000
Deferred tax balance at 1 January 2020	-
Deferred tax movements in prior year	
Credit to profit or loss	(436)
Deferred tax asset at 1 January 2021	(436)
Deferred tax movements in current year	
Credit to profit or loss	(892)
Deferred tax asset at 31 December 2021	(1,328)

21 Provisions for liabilities

	2021	2020
	£'000	£'000
	1,010	1,268

Movements on provisions:

	£'000
At 1 January 2021	1,268
Additional provisions in the year	92
Reversal of provision	(350)
At 31 December 2021	1,010

The current warranty provision of £0.60 million (2020: £0.89 million) is expected to unwind within a year, and will be replaced with new provisions.

The dilapidation provision of £0.41 million (2020: £0.38 million) relates to the leased property at Old Brighton Road, Lowfield Heath, Crawley, lease ending on 31 December 2024.

22 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £555 (2020: £591).

23 Share capital

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

Ordinary shares
On 31 October 2017, the Company re-designated its Ordinary A shares, Ordinary B shares, and Ordinary C shares to Ordinary shares, in a total of 302,778 Ordinary shares at £0.001 each.

Ordinary A shares
In addition, 1,000 Ordinary A shares were allotted to the company's key personnel, and fully paid at £57 each, par value was £0.001 each.

Treasury shares
On departure of any key personnel, the company purchased back their Ordinary A shares and held as the company's treasury shares.

During the financial year, the shareholders of the Company approved to repurchase 94 (2020: 94) Ordinary A shares in a sum of £5,358 (2020: £5,358), 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.

24 Share premium account

	2021	2020
	£'000	£'000
At the beginning and end of the year	57	57

25 Other reserves

	Total
	£'000
Balance at 1 January 2020	(46)
Movement	(6)
Balance at 31 December 2020	(52)
Movement	(5)
Balance at 31 December 2021	(57)

Other reserves relate to the company purchasing its own shares, held as treasury shares.

26 Other leasing information

Lessor

The operating lease income represent short term rental leases to third parties, details are as follows;

	2021	2020
Amounts recognised in profit or loss include the following:	£'000	£'000
Income from subleasing right-of-use assets	140	-

Information relating to lease liabilities is included in note 19.

27 Events after the reporting date

In December 2022, Acro Aircraft Seating Limited issued 30,000,000 ordinary shares of £0.001 each at a premium of £0.999 per share to its immediate parent, Acro Holdings Limited, for cash consideration of £30,000,000.

The proceeds were used to repay short term loans of £26,300,000 from the ultimate parent company, Zhejiang Tiancheng Controls Co. Ltd together with the accumulated interest of £245,819 on these loans, with the balance to be used as working capital for the business.

28 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, including directors, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2021	2020
	£'000	£'000
Short-term employee benefits	478	348
Post-employment benefits	73	14
	551	362

Related party disclosures

The following amounts were outstanding at the reporting end date:

	2021	2020
Amounts due to related parties	£'000	£'000
Intermediate parent company	26,546	21,448

	2021	2020
Amounts due from related parties	£'000	£'000
Intermediate parent company	1,098	928
Immediate parent company	128	97
	1,226	1,025

Other information

The amounts due from the intermediate and immediate parent companies represent the recharge of services provided by the company, charge for the year amounted to £170k (2020: £68k) and £32k (2020: £27k) respectively. These balances are unsecured, interest free and repayable on demand (Note 15).

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

The amounts due to the intermediate parent company represents various short term loans with an interest rate 1% and 0.5%, interest charge in 2021 amounted to £144k (2020: £147k). Additional loan during the year was £5.1 million (2020: £15.8 million). (Note 18).

29 Controlling party

The immediate parent company is Acro Holdings Limited, a company registered in the UK.

The ultimate parent company is Zhejiang Tiancheng Controls Co. Ltd, 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 Co. Ltd.