

Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 December 2020
for
Acro Aircraft Seating Limited

THURSDAY



AAE4R014

A46

30/09/2021

#318

COMPANIES HOUSE

Contents of the Financial Statements
for the Year Ended 31 December 2020

	Page
Company Information	1
Strategic Report	2
Report of the Directors	9
Statement of Directors' Responsibilities	11
Report of the Independent Auditors	12
Income Statement	16
Other Comprehensive Income	17
Balance Sheet	18
Statement of Changes in Equity	19
Notes to the Financial Statements	20

Acro Aircraft Seating Limited

Company Information
for the Year Ended 31 December 2020

DIRECTORS:

N Cairns
P Strothers
Y Chen
J Shi

REGISTERED OFFICE:

Eldon Way
Crick Industrial Estate
Crick
Northamptonshire
NN6 7SL

REGISTERED NUMBER:

05859680 (England and Wales)

AUDITORS:

Shinewing Wilson Accountancy Limited
Chartered Certified Accountants
and Statutory Auditors
9 St Clare Street
London
EC3N 1LQ

SOLICITORS:

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

Acro Aircraft Seating Limited

Strategic Report

for the Year Ended 31 December 2020

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.

Due to COVID-19 pandemic, aviation industry was significantly impacted. The business during 2020 suffered significant revenue reduction. Customers delayed orders from 2020 into 2021. However, during the last quarter of the year, there are signs of recovery in US domestic market and China domestic where the business has present.

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 2020, we focus on developing new generation for Series 6 which will bring more benefit for our customers for 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.

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 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, 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 geographically better for logistics. This strategic move has demonstrated that the business is looking for the long-term growth.

Financial and operating review

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

Acro Aircraft Seating Limited

Strategic Report

for the Year Ended 31 December 2020

Revenue 2020: £16.32m (2019: £50.73m)

- Sales hit by the Covid 19 shutdown of the aviation industry
- Further deliveries of Series 6

Gross profit and margins 2020: £2.31m and 14% (2019: £8.72m and 17%)

- The revenue drop from the pandemic has delivered a reasonable gross profit margin

Loss before tax 2020: £7.35m (2019: loss £4.18m)

- 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 2020: £5.89m (2019: £5.61m)

- Mainly is Series 6 development capitalised.
- 2021 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 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.

Acro Aircraft Seating Limited

Strategic Report for the Year Ended 31 December 2020

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.

SECTION 172(1) STATEMENT

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, 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

Acro Aircraft Seating Limited

Strategic Report

for the Year Ended 31 December 2020

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.

NON FINANCIAL INFORMATION

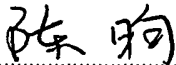
Culture

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.

ON BEHALF OF THE BOARD:



.....
Y Chen - Director

Date: 28/09/2021
.....

Acro Aircraft Seating Limited

Report of the Directors
for the Year Ended 31 December 2020

The directors present their report with the financial statements of the company for the year ended 31 December 2020.

DIVIDENDS

The Company's results for the year are shown in the Statement of Comprehensive Income. The Directors do not intend to declare a dividend for 2020 (2019: £nil).

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

P Strothers
Y Chen

Other changes in directors holding office are as follows:

N Cairns - appointed 28 September 2020
X Wang - resigned 29 July 2020
L M Lai - resigned 29 July 2020

J Shi was appointed as a director after 31 December 2020 but prior to the date of this report.

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 19.

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.

POLITICAL DONATIONS AND EXPENDITURE

The Company made no political donations during the year (2019: £nil).

GOING CONCERN

The Directors have considered Going Concern and more details can be found in Note 2.

DISCLOSURE IN THE STRATEGIC REPORT

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.

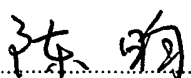
Acro Aircraft Seating Limited

Report of the Directors
for the Year Ended 31 December 2020

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

ON BEHALF OF THE BOARD:


.....
Y Chen - Director

Date: 28/09/2021
.....

Acro Aircraft Seating Limited

Statement of Directors' Responsibilities
for the Year Ended 31 December 2020

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Report of the Independent Auditors 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 2020 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the investment impairment affairs as at 31 December 2020 and of the company's losses 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

Included in the balance sheet is an intangible asset balance of £5.9 million, which mainly relates to product development. IAS 36 requires assets within its scope to be tested for impairment when indicators of impairment exist at the end of a reporting period. Many such indicators of impairment existed due to the effects of COVID-19, including operational disruptions to supply chains, and decreases in revenue and profitability. The directors have assessed the carrying value of these intangible fixed assets and concluded that there is no requirement for an impairment charge to be recognised. We obtained management's future cash flow forecasts, and assessed the key assumptions used in their impairment assessment. In our opinion, 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 addition, included in the balance sheet, there are a deferred tax asset of £0.43 million recognised for unused tax losses to the extent that it is probable that future taxable profits will be available, and an unprovided deferred tax liability of 0.33 million due to time difference, considering the company's trading position and assessing the sales forecasts, in our opinion, the deferred tax asset should not be recognised and liability should be provided. The net effect of 0.76 million is material to the company's financial statements.

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

Material uncertainty relating to going concern

We draw attention to Note 2 in the Notes to the financial statements, which describes the uncertainty around the aviation industry. The company incurred a loss before tax of £6.58 million during the year, had a net current liability of £18.91 million at the year ended 31 December 2020. The company fully depends on its intermediate parent's financial support, as stated in Note 2, the company has received an undertaking that this support will remain available for at least 24 months from the date of signing these 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. 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, Covid 19 situation is not clear, it is difficult to evaluate all of the potential impacts on the company's trade. The events or conditions indicate that a material uncertainty exists, which may cast significant doubt on the company's ability to continue as a going concern. This is not a modified opinion.

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

Report of the Independent Auditors to the Members of
Acro Aircraft Seating Limited

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report, the Report of the Directors and the Statement of Directors' Responsibilities, but does not include the financial statements and our Report of the Auditors thereon.

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

As described in the basis for qualified opinion section of our report, we are unable to satisfy ourselves that the company's financial statements have not accounted for the impairment of the intangible fixed assets, recognised deferred tax asset on unused losses and unprovided deferred tax liability. We have concluded that where the other information refers to the impairment of intangible assets and deferred tax asset/liability, it may be 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 prepared may be 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

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 Report of the Directors.

Arising from the matters described in the basis for qualified opinion section of our report:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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:

- 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page eleven, 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 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.

Report of the Independent Auditors to the Members of
Acro Aircraft Seating Limited

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

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 management.

Our approach was as follows:

Discussions were held with, and enquiries made of, management and those charged with governance with a view to identifying those laws and regulations that could be expected to have a material impact on the financial statements. During the engagement team briefing, the outcomes of these discussions and enquiries were shared with the team, as well as consideration as to where and how fraud may occur in the entity.

The following laws and regulations were identified as being of significance to the entity:

- Those laws and regulations considered to have a direct effect on the financial statements include UK financial reporting standards, Company Law, Tax and Pensions legislation, GDPR.
- It is considered that there are laws and regulations i.e. employment related laws, health and safety and ISO 9001 for which non-compliance may be fundamental to the operating aspects of the business.

Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised of: inquiries of management and those charged with governance as to whether the entity complies with such laws and regulations; enquiries with the same concerning any actual or potential litigation or claims; inspection of relevant legal correspondence; review of board minutes; testing the appropriateness of entries in the nominal ledger, including journal entries; reviewing transactions around the end of the reporting period; and the performance of analytical procedures to identify unexpected movements in account balances which may be indicative of fraud.

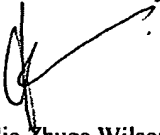
No instances of material non-compliance were identified. However, the likelihood of detecting irregularities, including fraud, is limited by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Report of the Independent Auditors to the Members of
Acro Aircraft Seating Limited

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors 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
Chartered Certified Accountants
and Statutory Auditors
9 St Clare Street
London
EC3N 1LQ

Date: 28/09/2021

Acro Aircraft Seating Limited

Income Statement
for the Year Ended 31 December 2020

	Notes	31.12.20 £'000	31.12.19 £'000
TURNOVER	4	16,319	50,731
Cost of sales		14,005	42,009
GROSS PROFIT		2,314	8,722
Distribution costs		1,301	1,842
Administrative expenses		8,857	11,127
		10,158	12,969
		(7,844)	(4,247)
Other operating income		826	-
OPERATING LOSS		(7,018)	(4,247)
Profit/loss on sale of intangible fixed assets	6	(354)	-
Profit/loss on sale of tang fa	6	(2)	(12)
		(7,374)	(4,259)
Interest payable and similar expenses	7	(29)	(77)
LOSS BEFORE TAXATION	8	(7,345)	(4,182)
Tax on loss	9	(770)	(20)
LOSS FOR THE FINANCIAL YEAR		(6,575)	(4,162)

The notes form part of these financial statements

Acro Aircraft Seating Limited

Other Comprehensive Income
for the Year Ended 31 December 2020

	Notes	31.12.20 £'000	31.12.19 £'000
LOSS FOR THE YEAR		(6,575)	(4,162)
OTHER COMPREHENSIVE INCOME			
Item that may be reclassified subsequently to profit or loss:			
Share buyback		-	10
Income tax relating to item that may be reclassified subsequently to profit or loss		-	-
		<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		-	10
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(6,575)	(4,152)
		<hr/> <hr/>	<hr/> <hr/>

The notes form part of these financial statements

Acro Aircraft Seating Limited (Registered number: 05859680)

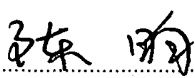
Balance Sheet

31 December 2020

	Notes	31.12.20 £'000	31.12.19 £'000
FIXED ASSETS			
Intangible assets	11	5,888	5,614
Tangible assets	12	11,897	3,783
		<u>17,785</u>	<u>9,397</u>
CURRENT ASSETS			
Stocks	13	5,466	5,656
Debtors	14	6,592	7,232
Cash at bank and in hand		173	1
		<u>12,231</u>	<u>12,889</u>
CREDITORS			
Amounts falling due within one year	15	31,138	23,388
NET CURRENT LIABILITIES		<u>(18,907)</u>	<u>(10,499)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(1,122)</u>	<u>(1,102)</u>
CREDITORS			
Amounts falling due after more than one year	16	(8,678)	(1,336)
PROVISIONS FOR LIABILITIES	20	<u>(1,268)</u>	<u>(2,049)</u>
NET LIABILITIES		<u><u>(11,068)</u></u>	<u><u>(4,487)</u></u>
CAPITAL AND RESERVES			
Called up share capital	21	-	-
Share premium	22	57	57
Other reserves	22	(52)	(46)
Retained earnings	22	(11,073)	(4,498)
SHAREHOLDERS' FUNDS		<u><u>(11,068)</u></u>	<u><u>(4,487)</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on and were signed on its behalf by:

28/09/2021


.....
Y Chen - Director

The notes form part of these financial statements

Acro Aircraft Seating Limited

Statement of Changes in Equity
for the Year Ended 31 December 2020

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Other reserves £'000	Total equity £'000
Balance at 1 January 2019	-	(336)	57	(56)	(335)
Changes in equity					
Total comprehensive income	-	(4,162)	-	10	(4,152)
Balance at 31 December 2019	-	(4,498)	57	(46)	(4,487)
Changes in equity					
Total comprehensive income	-	(6,575)	-	(6)	(6,581)
Balance at 31 December 2020	-	(11,073)	57	(52)	(11,068)

The notes form part of these financial statements

1. STATUTORY 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 on page 2 and the Directors' Report on page 9, which should be read in conjunction with these Notes.

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.

2. ACCOUNTING POLICIES

Basis of preparation

The financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The company chose to adopt FRS 101 having previously applied IFRS. As such, although it's a first-time adopter of FRS 101, is not considered to be adopting IFRS for the first time. Therefore, the company transitioned to FRS 101 from 1 January 2020 gave no material effect on the accounts. However, FRS 101 accounts need to comply with additional requirements of UK company law, which many of these are already covered by IFRS disclosure requirements. The company's shareholders were notified of, and did not object the transition.

Preparation of financial statements as an individual company

The financial statements contain information about Acro Aircraft Seating Limited as an individual company and do not contain consolidated financial information as the parent of a group. Companies Act 2006 section 405 permits a subsidiary to be excluded from consolidation where its inclusion is not material for the purposes of giving a true and fair view. The subsidiary, Acro Aircraft 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 its group.

Adoption of the reduced disclosure framework

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraph 52 of IFRS 16 Leases;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

2. ACCOUNTING POLICIES - continued

Comparative figures

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

Going concern

The company incurred a loss before tax of £7.35 million during the year, had a net current liability of £18.91 million as at the balance sheet date including a loan of £21.45 million due to its intermediate parent company, Zhejiang Tiancheng Controls Co. Ltd. The company fully depends on its intermediate 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. However, there are events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Turnover

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. 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 has 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 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 of 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.

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.

2. ACCOUNTING POLICIES - continued

Intangible assets

i) Development costs

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 licences

Patent and licences 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

2. ACCOUNTING POLICIES - continued

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
- Plant and Machinery - 5 to 10 years
- Right of use - remaining life of the lease
- 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.

Financial instruments

Financial assets

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.

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.

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.

Share capital

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The company's ordinary shares are classified as equity instruments.

2. ACCOUNTING POLICIES - continued

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.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the income statement within other (expenses)/income.

Employee benefit costs

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

2. ACCOUNTING POLICIES - continued

Impairment excluding inventories and deferred tax assets

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.

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.

Employee benefits

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.

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.

Government grant

The Coronavirus job retention scheme grant relates to staff who have been furloughed due to Covid-19. As a receipt of a government grant, the JRS payments are recognised as other operating income in the Income Statement to which the underlying furloughed staff costs relate to and the employment costs are recognised at the full cost of payments made to or in respect of the employees. The grant payments are recognised on an accruals basis.

2. ACCOUNTING POLICIES - continued

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

Leases

The company accounts for a contract as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- (a) There is an identified asset;
- (b) The company obtains substantially all the economic benefits from use of the asset; and
- (c) The company has the right to direct use of the asset.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for Leases of low value assets and Leases with a duration of 12 months or less.

Lease Measurement

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying 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.

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 2 and details of the useful lives are included within the accounting policy.

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 2 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 2. 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 2. 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.

Lease

Acro Aircraft Seating Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

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.

4. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	31.12.20	31.12.19
	£'000	£'000
United Kingdom	2,164	6,375
Europe	3,943	13,448
United States of America	10,212	30,908
	<u>16,319</u>	<u>50,731</u>

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

5. EMPLOYEES AND DIRECTORS

	31.12.20	31.12.19
	£'000	£'000
Wages and salaries	6,344	8,069
Social security costs	627	908
Other pension costs	591	732
	<u>7,562</u>	<u>9,709</u>

The average number of employees during the year was as follows:

	31.12.20	31.12.19
Production	81	103
Distribution	10	14
Administration	77	80
	<u>168</u>	<u>197</u>

	31.12.20	31.12.19
	£	£
Directors' remuneration	348,234	268,686
Directors' pension contributions to money purchase schemes	<u>14,047</u>	<u>16,855</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>1</u>	<u>1</u>
------------------------	----------	----------

Acro Aircraft Seating Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

5. **EMPLOYEES AND DIRECTORS - continued**

Information regarding the highest paid director is as follows:

	31.12.20	31.12.19
	£	£
Emoluments etc	197,093	226,886
Pension contributions to money purchase schemes	14,047	16,855
Accrued pension at 31 December 2020	948	1,511

6. **EXCEPTIONAL ITEMS**

	31.12.20	31.12.19
	£'000	£'000
Profit/loss on sale of intangible fixed assets	(354)	-
Profit/loss on sale of tang fa	(2)	(12)
	<u>(356)</u>	<u>(12)</u>

7. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	31.12.20	31.12.19
	£'000	£'000
Interest payable	274	273
Leasing	75	57
Exchange difference	(378)	(407)
	<u>(29)</u>	<u>(77)</u>

8. **LOSS BEFORE TAXATION**

The loss before taxation is stated after charging:

	31.12.20	31.12.19
	£'000	£'000
Cost of inventories recognised as expense	14,005	42,009
Depreciation - owned assets	1,150	813
Patents and licences amortisation	7	70
Development costs amortisation	735	624
Auditors' remuneration	36	36

9. **TAXATION**

Analysis of tax income

	31.12.20	31.12.19
	£'000	£'000
Current tax:		
Tax	59	(298)
Deferred tax	(829)	278
Total tax income in income statement	<u>(770)</u>	<u>(20)</u>

Acro Aircraft Seating Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

9. **TAXATION - continued**

Factors affecting the tax expense

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.20 £'000	31.12.19 £'000
Loss before income tax	(7,345)	(4,182)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	(1,396)	(795)
Effects of:		
Fixed assets difference	20	-
Expenses not deductible for tax purposes	48	-
Adjustments to tax charge in respect of previous periods	(393)	501
Deferred tax not recognised	951	274
Tax income	(770)	(20)

Tax effects relating to effects of other comprehensive income

There were no tax effects for the year ended 31 December 2020.

	31.12.19	
	Gross	Tax
	£'000	£'000
Share buyback	10	-
	10	10

10. **INVESTMENT IN SUBSIDIARIES**

At the Balance Sheet date, the company invested in the following subsidiaries. However, the total investment was less than £1,000.

Acro Aircraft Seating Inc.

Registered office: 1440 Brickell Bay Dr. Apt 302, Miami, FL 33131-3602, USA

Nature of business: Dormant

Class of shares: holding Ordinary shares 100%

Acro Aircraft Seating Inc. is incorporated in the State of Delaware in USA, and it is dormant in 2020 and 2019.

Anke Aircraft Seating (Shanghai) Co., Limited

Registered office: No.1 Renjie South Road, Fengxian District Shanghai P.R.China

Nature of business: Sales office

Class of shares: holding Ordinary shares 100%

Anke Aircraft Seating (Shanghai) Co., Limited was incorporated on 3 August 2018. The company incurred trivial administrative expenses of £2,473 in 2020.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

11. INTANGIBLE FIXED ASSETS

	Patents and licences £'000	Development costs £'000	Totals £'000
COST			
At 1 January 2020	467	6,252	6,719
Additions	121	1,250	1,371
Disposals	(530)	-	(530)
At 31 December 2020	58	7,502	7,560
AMORTISATION			
At 1 January 2020	176	929	1,105
Amortisation for year	7	735	742
Eliminated on disposal	(175)	-	(175)
At 31 December 2020	8	1,664	1,672
NET BOOK VALUE			
At 31 December 2020	50	5,838	5,888
At 31 December 2019	291	5,323	5,614

12. TANGIBLE FIXED ASSETS

	Right of use assets £'000	Improvements to property £'000	Plant and machinery £'000
COST			
At 1 January 2020	1,628	519	2,930
Additions	8,343	867	256
Disposals	-	-	-
Impairments	(635)	-	-
Reclassification/transfer	-	-	41
At 31 December 2020	9,336	1,386	3,227
DEPRECIATION			
At 1 January 2020	233	271	1,336
Charge for year	409	53	466
At 31 December 2020	642	324	1,802
NET BOOK VALUE			
At 31 December 2020	8,694	1,062	1,425
At 31 December 2019	1,395	248	1,594

Acro Aircraft Seating Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

12. **TANGIBLE FIXED ASSETS - continued**

	Fixtures and fittings £'000	Demo Seats £'000	Asset under construction £'000	Totals £'000
COST				
At 1 January 2020	1,045	244	155	6,521
Additions	286	38	111	9,901
Disposals	-	-	(2)	(2)
Impairments	-	-	-	(635)
Reclassification/transfer	-	-	(41)	-
At 31 December 2020	1,331	282	223	15,785
DEPRECIATION				
At 1 January 2020	746	152	-	2,738
Charge for year	139	83	-	1,150
At 31 December 2020	885	235	-	3,888
NET BOOK VALUE				
At 31 December 2020	446	47	223	11,897
At 31 December 2019	299	92	155	3,783

13. **STOCKS**

	31.12.20 £'000	31.12.19 £'000
Raw materials	4,918	4,045
Work-in-progress	382	1,337
Finished goods	166	274
	5,466	5,656

14. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.20 £'000	31.12.19 £'000
Trade debtors	1,155	2,920
Amounts owed by group undertakings	1,025	929
Other debtors - Rent deposit	2,013	1,951
Deferred tax asset	436	-
Prepayments and accrued income	1,963	1,432
	6,592	7,232

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

Acro Aircraft Seating Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.20	31.12.19
	£'000	£'000
Bank loans and overdrafts (see note 17)	-	216
Other loans (see note 17)	2,915	5,929
Leases (see note 17)	814	303
Trade creditors	852	6,126
Amounts owed to group undertakings	21,448	5,587
Tax	12	12
Social security and other taxes	193	409
Other creditors	165	594
Accruals and deferred income	4,739	4,212
	<u>31,138</u>	<u>23,388</u>

Amounts owed to group undertakings are unsecured and interest bearing.

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31.12.20	31.12.19
	£'000	£'000
Other loans (see note 17)	8	28
Leases (see note 17)	8,670	1,308
	<u>8,678</u>	<u>1,336</u>

17. FINANCIAL LIABILITIES - BORROWINGS

	31.12.20	31.12.19
	£'000	£'000
Current:		
Bank overdrafts	-	216
Other loans and borrowings	2,915	5,929
Leases (see note 18)	814	303
	<u>3,729</u>	<u>6,448</u>
Non-current:		
Other loans and borrowings	8	28
Leases (see note 18)	8,670	1,308
	<u>8,678</u>	<u>1,336</u>

Terms and debt repayment schedule

	1 year or less £'000	1-2 years £'000	Totals £'000
Other loans and borrowings	2,915	8	2,923
Leases	814	8,670	9,484
	<u>3,729</u>	<u>8,678</u>	<u>12,407</u>

17. FINANCIAL LIABILITIES - BORROWINGS - continued

Other loans and borrowings included £2.90 million HSBC fixed and floating charge over the company's assets. Interest rate is 2.75% over Bank of England base rate.

18. LEASING

Lease liabilities

Minimum lease payments fall due as follows:

	31.12.20 £'000	31.12.19 £'000
Gross obligations repayable:		
Within one year	814	303
Between one and five years	8,670	1,308
	<u>9,484</u>	<u>1,611</u>
Finance charges repayable:	<u> </u>	<u> </u>
Net obligations repayable:		
Within one year	814	303
Between one and five years	8,670	1,308
	<u>9,484</u>	<u>1,611</u>

19. FINANCIAL INSTRUMENTS

The Company's policy on non-derivative financial instruments is explained in Note 2.

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.

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 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 - continued
for the Year Ended 31 December 2020

20. PROVISIONS FOR LIABILITIES

	31.12.20	31.12.19
	£'000	£'000
Deferred tax	-	393
Other provisions	1,268	1,656
	<u>1,268</u>	<u>2,049</u>
	Deferred tax	Warranty & dilapidation
	£'000	£'000
Balance at 1 January 2020	393	1,656
Provided during year	-	756
Credit to Income Statement during year	(829)	(1,144)
Balance at 31 December 2020	<u>(436)</u>	<u>1,268</u>

The current warranty provision of £0.89 million (2019: £1.30 million) is expected to unwind within a year, and will be replaced with new provisions.

The dilapidation provision of £0.38 million (2019: £0.36 million) relates to the leased property at Old Brighton Road, Lowfield Heath, Crawley, lease ending on 31 December 2024.

21. CALLED UP 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 (2019: 156) Ordinary A shares in a sum of £5,358 (2019: £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.

22. RESERVES

Other reserves relate to the company purchased its own shares during the period and held as treasury shares.

Acro Aircraft Seating Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

23. RELATED PARTY DISCLOSURES

		Debtors	outstanding	Creditors	outstanding
		2020	2019	2020	2019
		£'000	£'000	£'000	£'000
Zhejiang Tiancheng Controls Co. Ltd	Intermediate parent	928	860	21,448	5,587
Acro Holdings Ltd	Immediate parent	97	70	-	-
Total		1,025	929	21,448	5,587

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 £68K (2019: £560K) and £27K (2019: £62K) respectively. These balances are unsecured, interest free and repayable on demand (Note 14).

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

The amounts due to the intermediate parent company represent various short terms loans with an interest rate 0-5%, interest charged in 2020 amounted to £147K (2019: £86K). Additional loan during the year was £15.8 million (2019: £5.6 million) (Note 15).

The Company Directors' emoluments are included in Note 5.

24. ULTIMATE PARENT COMPANY AND PARENT COMPANY OF LARGER GROUP

The immediate parent company is Acro Holdings Limited, a company registered in the UK and this is the undertaking for which the company is a member and for which group financial statements are prepared.

The ultimate parent company is Zhejiang Tiancheng Science & Technology Co., Ltd, a company registered in P.R. China, address is TianTai Economic Development Zone, Taizhou 317200, P.R. China.

The ultimate controlling party is Mr Bangrui Chen.

Acro Aircraft Seating Limited

Trading and Profit and Loss Account
for the Year Ended 31 December 2020

	31.12.20		31.12.19	
	£'000	£'000	£'000	£'000
Sales		16,319		50,731
Cost of sales				
Purchases - Materials	11,666		36,670	
Wages	1,989		3,284	
Social security	168		336	
Pensions	182		275	
Other direct costs	-		1,444	
		14,005		42,009
GROSS PROFIT		2,314		8,722
Other income				
Other income-CJRS		826		-
		3,140		8,722
Expenditure				
Distribution wages	587		555	
Distribution social security	54		63	
Distribution pensions	46		44	
Carriage	-		7	
Other distribution costs	614		1,173	
Rates and water	149		149	
Rent	18		78	
Light and heat	55		126	
Directors' salaries	348		269	
Directors' social security	14		21	
Directors' pension contributions	14		17	
Administrative wages	3,420		3,961	
Administrative social security	391		488	
Administrative pensions	349		396	
Telephone	60		42	
Post and stationery	10		20	
Travelling	46		105	
Licences and insurance	154		137	
Repairs and renewals	38		48	
Household and cleaning	29		68	
Other administrative expenses	5		1,473	
Accountancy	99		12	
Computer costs	406		678	
Consultancy fee	183		75	
Legal fees	127		198	
Auditors' remuneration	36		36	
Amortisation of intangible fixed assets				
Patents and licences	7		70	
Development costs	735		576	
Depreciation of tangible fixed assets				
Depn of right of use	410		233	
Improvements to property	53		42	
Plant and machinery	466		466	
Fixtures and fittings	139		190	
Carried forward	9,062	3,140	11,816	8,722

This page does not form part of the statutory financial statements

Acro Aircraft Seating Limited

Trading and Profit and Loss Account
for the Year Ended 31 December 2020

	31.12.20		31.12.19	
	£'000	£'000	£'000	£'000
Brought forward	9,062	3,140	11,816	8,722
Depn of Demo Seats	84		99	
Impairment losses for tangible fixed assets	635		-	
Entertainment	4		19	
Bad debts	339		962	
		10,124		12,896
		(6,984)		(4,174)
Finance costs				
Bank charges	34		73	
Interest payable	274		273	
Leasing	75		57	
Exchange difference	(378)		(407)	
		5		(4)
		(6,989)		(4,170)
Exceptional items				
Profit/loss on sale of intangible fixed assets	354		-	
Profit/loss on sale of tang fa	2		12	
		356		12
NET LOSS		<u>(7,345)</u>		<u>(4,182)</u>

This page does not form part of the statutory financial statements