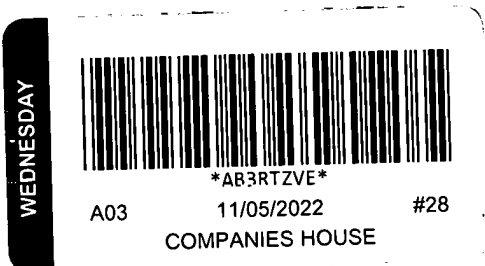


Registered number: 04021429

AEROSPARES 2000 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021



AEROSPARES 2000 LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditor's report	5 - 7
Statement of comprehensive income	8
Balance sheet	9
Statement of changes in equity	10 - 11
Notes to the financial statements	12 - 26

AEROSPARES 2000 LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2021.

Fair review of the business

The principal activity of the Company is the provision of stock and distribution of components to the aviation industry. Currently serving over 400 customers globally, we are making substantial progress on our strategy to become a true global supplier of choice for aviation after-market spares.

The Company successfully navigated the challenges COVID 19 caused to commercial aviation (air traffic in 2021 although 22% up on 2020 was still 32% down on 2019) and continued its high-performance levels with the central tenant of customer excellence being our guiding principle. Throughout the year we have continued to support our key customers as well as develop new ones, minimised financial risk and exposure, whilst investing and implementing in our multi-faceted strategic plans and initiatives. The outstanding performance of these initiatives helped to increase turnover by 107% and record the highest revenue figure in the Company's history. With our future planned growth investments, the expected continued increase in flight activity levels means we enter 2022 with very good business momentum and anticipating another exciting and successful year.

Principal risks and uncertainties

At the date of approval of the financial statements, COVID 19's impact on commercial aviation is dramatically reduced and the volume of flight activity continues to trend upwards with the expectation that this improvement will continue and reach 2019 flight activity levels by 2023. Although leisure traffic is increasing the return of business travel globally is not expected until 2023. Long-haul routes will take longer to recover than short-haul ones. In that regard, the Company is well placed with their inventory focus and expertise. The company continues to support well capitalised end users to position for account growth.

The Company in 2022 will continue to be cash generative and profitable due to the low level of overheads and lean culture whilst also forging ahead with its longer-term strategic initiatives to support future growth.

Financial risk management

The Company's operations expose it to a variety of financial risks that include currency risk, credit risk and liquidity risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring levels of debt finance and related finance costs.

Currency Risk

The Company conducts substantially all of its business in US Dollars, the currency that the international commercial aviation industry uses in order to set market prices for goods and services. For this reason, the Company is exposed to risk from exchange rate fluctuations when converting US Dollars to Pounds Sterling, which it needs to defray certain administrative overhead expenses. The Company mitigates the risk by operating various foreign currency bank accounts.

Credit & Liquidity Risk

The Company actively maintains a mixture of long-term and short-term debt finance that ensures that the Company has sufficient available funds for the Company's operation and future expansion plans. Working capital is monitored and managed to ensure that cash receivables from debtors is available within a timely manner that allows credit obligations to be met.

AEROSPARES 2000 LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Financial key performance indicators

The directors monitor the performance of the Company using the following key performance indicators (KPIs):

	2021	2020
Sales increase/(decrease)	107.38%	(40.79)%
Gross margin	30.02%	33.96%
Pre-tax margin	22.44%	17.67%
Employee growth	26.31%	(20.83)%
Sales per employee	\$1,892,567	\$1,152,759
Net profit per employee before tax	\$396,716	\$203,731

Other key performance indicators

As reported in the statement of comprehensive income, the Company achieved sales of \$45,421,609 in the year (2020: \$21,902,429), gross profit of \$13,635,904 (2020: \$7,439,143) and a pre-tax profit of \$9,521,181 (2020: \$3,870,895). Net assets increased by \$8.4m from \$27.2m to \$35.6m.

This report was approved by the board on 5/5/2022

and signed on its behalf.



A M Nemenyi
Director

AEROSPARES 2000 LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

Principal activity

The principal activity of the Company during the year remained that of supplying civil aircraft spare-parts to a global customer base consisting of airlines and maintenance companies.

Results and dividends

The profit for the year, after taxation, amounted to \$8,388,614 (2020 - \$3,489,245).

The Company paid a dividend of \$Nil during the year (2020: \$Nil).

Directors

The directors who served during the year were:

G M Agnew
H W Gregson
R R Nagel
A M Nemenyi
D Wilkerson

Directors' responsibilities statement

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

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 to 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.

AEROSPARES 2000 LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Going concern

The directors have assessed a period of at least 12 months from the anticipated date of approval of these financial statements including a review of forecasted trading performance, available headroom on working capital facilities and compliance with applicable covenants.

Based on these assessments, the directors have concluded at the time of approving the financial statements that there is no material uncertainty that may cast significant doubt about the Company's ability to continue to trade. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Future developments

The Company is planning continued growth, both organic and through possible acquisitions, by making use of its strong liquid position and the larger warehouse facilities at its headquarters.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, MHA MacIntyre Hudson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 5/5/2022 and signed on its behalf.



**A M Nemenyi
Director**

AEROSPARES 2000 LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AEROSPARES 2000 LIMITED

Opinion

We have audited the financial statements of Aerospares 2000 Limited (the 'Company') for the year ended 31 December 2021, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AEROSPARES 2000 LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AEROSPARES 2000 LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AEROSPARES 2000 LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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:

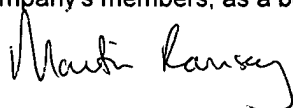
- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- A review of legal and professional expense nominal accounts for any indications of non-compliance with laws and regulations;
- Performing audit work over the risk of management override of controls, including testing or large and otherwise unusual journal entries and other adjustments for appropriateness;
- Reviewing minutes of meetings of those charged with governance; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Martin Ramsey BSc (Hons) FCCA (Senior statutory auditor)
for and on behalf of
MHA MacIntyre Hudson
Statutory Auditors
Birmingham, United Kingdom
Date: 5 May 2022

AEROSPARES 2000 LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 \$	2020 \$
Turnover	4	45,421,609	21,902,429
Cost of sales		(31,785,705)	(14,463,286)
Gross profit		13,635,904	7,439,143
Administrative expenses		(3,856,098)	(3,285,744)
Operating profit	5	9,779,806	4,153,399
Interest receivable and similar income	9	182	2,136
Interest payable and similar expenses	10	(258,807)	(284,640)
Profit before tax		9,521,181	3,870,895
Tax on profit	11	(1,132,567)	(381,650)
Profit for the financial year		8,388,614	3,489,245

There was no other comprehensive income for 2021 (2020:\$NIL).

The notes on pages 12 to 26 form part of these financial statements.

AEROSPARES 2000 LIMITED
REGISTERED NUMBER: 04021429

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 \$	2020 \$
Fixed assets			
Tangible assets	12	700,172	984,285
Current assets			
Stocks	13	29,644,957	27,594,996
Debtors: amounts falling due within one year	14	18,930,591	10,768,420
Cash at bank and in hand	15	499,741	1,002,736
		<u>49,075,289</u>	<u>39,366,152</u>
Creditors: amounts falling due within one year	16	(10,315,141)	(5,746,928)
Net current assets		<u>38,760,148</u>	<u>33,619,224</u>
Total assets less current liabilities		<u>39,460,320</u>	<u>34,603,509</u>
Creditors: amounts falling due after more than one year	17	(3,894,883)	(7,422,974)
Provisions for liabilities			
Deferred tax	19	-	(3,712)
Net assets		<u><u>35,565,437</u></u>	<u><u>27,176,823</u></u>
Capital and reserves			
Called up share capital	20	150	150
Profit and loss account	21	35,565,287	27,176,673
		<u><u>35,565,437</u></u>	<u><u>27,176,823</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
5/5/2022



A M Nemenyi
Director

The notes on pages 12 to 26 form part of these financial statements.

AEROSPARES 2000 LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital	Profit and loss account	Total equity
	\$	\$	\$
At 1 January 2021	150	27,176,673	27,176,823
Comprehensive income for the year			
Profit for the year	-	8,388,614	8,388,614
At 31 December 2021	150	35,565,287	35,565,437

The notes on pages 12 to 26 form part of these financial statements.

AEROSPARES 2000 LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital	Profit and loss account	Total equity
	\$	\$	\$
At 1 January 2020	150	23,687,428	23,687,578
Comprehensive income for the year			
Profit for the year	-	3,489,245	3,489,245
At 31 December 2020	150	27,176,673	27,176,823

The notes on pages 12 to 26 form part of these financial statements.

AEROSPARES 2000 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

Aerospars 2000 Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. Its registered office and principal place of business is located at 3 Caxton Way, Watford Business Park, Watford, Hertfordshire, United Kingdom, WD18 8UA.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The presentational and functional currency of these financial statements is USD. Values are rounded to the nearest dollar.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of A2K Topco Limited as at 31 December 2021 and these financial statements may be obtained from 3 Caxton Way, Watford Business Park, Watford, Hertfordshire, United Kingdom, WD18 8UA.

2.3 Going concern

The directors have assessed a period of at least 12 months from the anticipated date of approval of these financial statements including a review of forecasted trading performance, available headroom on working capital facilities and compliance with applicable covenants.

Based on these assessments, the directors have concluded at the time of approving the financial statements that there is no material uncertainty that may cast significant doubt about the Company's ability to continue to trade. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is USD.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.5 Revenue

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

Sale of goods

Revenue in respect of parts supplied both as outright sales and on exchange is recognised on delivery to the customer.

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

Rendering of services

Revenue for services supplied, such as repair charges, exchange charges and outright sales charges are recognised on completion of the services. All such services are short term in nature.

Revenue received from ancillary services is recognised when the right to receive payment is established, which is normally at the date of the transaction.

2.6 Interest income

Interest income is recognised in profit or loss using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.9 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.11 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. 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 by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- over the term of the lease
Motor vehicles	- 25% per annum
Fixtures and fittings	- 25% per annum
Warehouse handling forklifts	- 25% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.12 Leased assets: the Company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.13 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.14 Stocks

Stocks are valued at the lower of cost and net realisable value.

The cost of stocks of aircraft parts is based on the cost of purchase on a first in first out basis.

The cost of aircraft parts which can be repaired and reused is based on the cost of purchase of the original aircraft part. When an item of stock is issued in exchange for a used part reused item is refurbished and entered into the stock pool. The cost of refurbished is expensed.

Slow moving stock is not discounted as the Company anticipates that it can always be sold for at least its carrying value.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit of loss. The assessment is based on a review of all parts held to ensure they are still used by aircraft currently in service.

2.15 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.17 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.18 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

3. Judgments in applying accounting policies and key sources of estimation uncertainty

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

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

Critical judgments

The following are the critical accounting estimates and judgments that have had the most significant effect on amounts recognised in the financial statements.

Stock

The Company writes down stock to net realisable value based on an estimate on the realisability of stock. Write-downs on stock are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgment and estimates. Where the expectation is different from the original estimate or judgment, such difference will impact the carrying value of stock and write-downs of stock in the periods in which such estimates or judgments have been changed.

Impairment of trade debtors

The Company reviews trade debtors balances for impairment and this is performed on a regular basis. Those balances which are considered to be recoverable remain in trade debtors and those which are not, are impaired and the impairment loss is recorded in the profit or loss. In making this judgment, the Company evaluates, among other factors, customer's financial health and short-term business outlook including factors such as the general economic environment as it affects the industry.

AEROSPARES 2000 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

4. Turnover

An analysis of turnover by class of business is as follows:

	2021	2020
	\$	\$
Supply of spare parts	25,344,232	10,875,408
Repair and exchange services	20,077,377	11,027,021
	<u>45,421,609</u>	<u>21,902,429</u>

Analysis of turnover by country of destination:

	2021	2020
	\$	\$
Europe	34,838,604	15,894,287
Rest of the world	10,583,005	6,008,142
	<u>45,421,609</u>	<u>21,902,429</u>

5. Operating profit

The operating profit is stated after charging:

	2021	2020
	\$	\$
Exchange differences	(10,393)	262,565
Depreciation of owned tangible fixed assets	240,897	249,520
Depreciation of tangible fixed assets held under finance leases	116,518	97,554
Operating lease charges	289,418	268,074
Defined contribution pension cost	106,326	148,196
	<u>45,421,609</u>	<u>21,902,429</u>

6. Auditor's remuneration

	2021	2020
	\$	\$
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	32,200	36,250

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

AEROSPARES 2000 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2021	2020
	\$	\$
Wages and salaries	1,794,792	870,291
Social security costs	235,453	252,468
Cost of defined contribution scheme	78,388	148,196
	<u>2,108,633</u>	<u>1,270,955</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2021	2020
	No.	No.
Administration	8	7
Sales	7	5
Warehouse	9	7
	<u>24</u>	<u>19</u>

8. Directors' remuneration

	2021	2020
	\$	\$
Directors' emoluments	247,611	123,426
Directors' pension costs	55,100	75,187
	<u>302,711</u>	<u>198,613</u>

During the year retirement benefits were accruing to no directors (2020 - NIL) in respect of defined contribution pension schemes.

The highest paid director received remuneration of \$247,648 (2020 - \$179,781).

The value of the Company's contributions paid to pension schemes in respect of the highest paid director amounted to \$55,100 (2020 - \$40,000).

AEROSPARES 2000 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

9. Interest receivable

	2021	2020
	\$	\$
Other interest receivable	182	2,136

10. Interest payable and similar expenses

	2021	2020
	\$	\$
Other interest on financial liabilities	253,421	267,408
Interest on finance leases and hire purchase contracts	5,386	17,232
	<u>258,807</u>	<u>284,640</u>

11. Taxation

	2021	2020
	\$	\$
Corporation tax		
Current tax on profits for the year	1,198,728	376,323
Adjustments in respect of previous periods	(9,638)	19,808
Total current tax	<u>1,189,090</u>	<u>396,131</u>
Deferred tax		
Origination and reversal of timing differences	(57,696)	(16,621)
Effect of tax rate change on opening balance	1,173	2,140
Total deferred tax	<u>(56,523)</u>	<u>(14,481)</u>
Taxation on profit on ordinary activities	<u>1,132,567</u>	<u>381,650</u>

AEROSPARES 2000 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

11. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 \$	2020 \$
Profit on ordinary activities before tax	<u>9,521,181</u>	<u>3,870,895</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	1,809,024	735,470
Effects of:		
Fixed asset differences	38,854	18,535
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	6,477	6,944
Adjustments to tax charge in respect of prior periods	(9,638)	14,442
Current tax (prior period) exchange difference arising on movement	-	5,366
Current tax (current period) exchange difference arising on movement	(18,122)	23,300
Remeasurement of deferred tax for changes in tax rates	(12,675)	2,380
Deferred tax not recognised	(31,454)	2,041
Group relief	(649,899)	(426,828)
Total tax charge for the year	<u><u>1,132,567</u></u>	<u><u>381,650</u></u>

Factors that may affect future tax charges

In the spring budget 2021, the UK Government announced that the UK corporation tax rate would increase to 25% with effect from 1 April 2023, the effects of which are immaterial in the current year.

AEROSPARES 2000 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

12. Tangible fixed assets

	Leasehold improve- ments \$	Motor vehicles \$	Fixtures and fittings \$	Warehouse handling forklifts \$	Total \$
Cost or valuation					
At 1 January 2021	1,463,715	21,748	522,466	56,293	2,064,222
Additions	27,689	-	45,613	-	73,302
At 31 December 2021	<u>1,491,404</u>	<u>21,748</u>	<u>568,079</u>	<u>56,293</u>	<u>2,137,524</u>
Depreciation					
At 1 January 2021	627,306	21,748	388,663	42,220	1,079,937
Charge for the year	216,025	-	127,317	14,073	357,415
At 31 December 2021	<u>843,331</u>	<u>21,748</u>	<u>515,980</u>	<u>56,293</u>	<u>1,437,352</u>
Net book value					
At 31 December 2021	<u>648,073</u>	<u>-</u>	<u>52,099</u>	<u>-</u>	<u>700,172</u>
At 31 December 2020	<u>836,409</u>	<u>-</u>	<u>133,803</u>	<u>14,073</u>	<u>984,285</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2021 \$	2020 \$
Tangible fixed assets	-	446,197

13. Stocks

	2021 \$	2020 \$
Finished goods and goods for resale	<u>29,644,957</u>	<u>27,594,996</u>

An impairment loss of \$2,339,720 (2020: \$142,043) was recognised in cost of sales in respect of slow moving and obsolete stock.

AEROSPARES 2000 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

14. Debtors

	2021 \$	2020 \$
Trade debtors	9,833,770	3,497,511
Amounts owed by group undertakings	8,886,937	7,063,243
Other debtors	49,976	104,959
Prepayments and accrued income	107,097	102,707
Deferred taxation	52,811	-
	<u>18,930,591</u>	<u>10,768,420</u>

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debtors was \$125,000 (2020: \$203,346).

15. Cash and cash equivalents

	2021 \$	2020 \$
Cash at bank and in hand	499,741	1,002,736
Less: bank overdrafts	(35,713)	(78,120)
	<u>464,028</u>	<u>924,616</u>

16. Creditors: Amounts falling due within one year

	2021 \$	2020 \$
Bank overdrafts	35,713	78,120
Trade creditors	5,176,714	2,446,825
Corporation tax	1,288,886	524,767
Other taxation and social security	95,094	143,337
Obligations under finance lease and hire purchase contracts	-	94,238
Other creditors	1,713,180	704,107
Accruals and deferred income	2,005,554	1,755,534
	<u>10,315,141</u>	<u>5,746,928</u>

AEROSPARES 2000 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

17. Creditors: Amounts falling due after more than one year

	2021	2020
	\$	\$
Asset based lending facility	<u>3,894,883</u>	<u>7,422,974</u>

The asset based lending facility is a revolving credit facility of \$15m provided by Wells Fargo secured against a percentage of the Company's accounts receivable and inventory balances. The amount available for drawn down may vary over the term of the loan depending on the values of accounts receivable and inventory. The facility has a 4 year term, maturing in December 2023, and amounts advanced to the Company accrue interest at a variable rate equivalent to LIBOR plus 2.95%.

18. Loans

Analysis of the maturity of loans is given below:

	2021	2020
	\$	\$
Amounts falling due 1-2 years		
Asset based lending facility	3,894,883	-
Amounts falling due 2-5 years		
Asset based lending facility	-	7,422,974
	<u>3,894,883</u>	<u>7,422,974</u>

19. Deferred taxation

	2021
	\$
At beginning of year	(3,712)
Charged to profit or loss	56,523
At end of year	<u>52,811</u>

AEROSPARES 2000 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

19. Deferred taxation (continued)

The deferred taxation balance is made up as follows:

	2021	2020
	\$	\$
Fixed asset timing differences	29,307	(20,316)
Short term timing differences	23,504	16,604
	<u>52,811</u>	<u>(3,712)</u>

20. Share capital

	2021	2020
	\$	\$
Allotted, called up and fully paid		
100 (2020 - 100) Ordinary shares of \$1.50 each	150	150
	<u>150</u>	<u>150</u>

21. Reserves**Called up share capital**

Called up share capital represents the nominal value of the shares issued.

Profit and loss account

The profit and loss account represents cumulative profit or losses, net of dividends paid and other adjustments.

22. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to \$106,326 (2020: \$148,196). Contributions totalling \$12,240 (2020: \$7,385) were payable to the fund at the reporting date and are included in creditors.

AEROSPARES 2000 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

23. Commitments under operating leases

At 31 December 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021	2020
	\$	\$
Not later than 1 year	284,252	268,074
Later than 1 year and not later than 5 years	568,504	1,072,296
	<u>852,756</u>	<u>1,340,370</u>

24. Other financial commitments

The Company has guaranteed bank loans of its parent undertakings, and its assets are pledged as security against these loans. At the balance sheet date the liabilities covered by this guarantee totalled \$23,405,215 (2020: \$30,496,911).

25. Related party transactions

The Company has taken advantage of the exemption available in section 33.1A of FRS 102 and has not disclosed transactions between wholly owned members of the Group.

Key management personnel include all directors and a number of senior managers who together have authority and responsibility for planning, directing and controlling the activities of the Company. The total compensation paid to key management personnel for services provided to the Company was \$452,496 (2020: \$239,844).

Out of the total number of 7 directors and members of the senior management team, the remuneration of 5 members has been paid by the ultimate parent company Acorn A2K LLC.

During the year the Company paid rent of \$289,418 (2020: \$268,074) to a company under the control of one of the directors. A balance of \$28,279 (2020: \$83,923) was due to this company at the balance sheet date.

26. Controlling party

The immediate parent company is Aerospares 2000 Holdings Limited, a company registered in the United Kingdom.

The smallest and largest group of undertakings for which group accounts are prepared is A2K Midco Limited and A2K Topco Limited respectively, companies registered in the United Kingdom.

The ultimate controlling party is Acorn A2K LLC, which is registered in the United States of America.