

Aerospars 2000 Limited

Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number 04021429



Aerospars 2000 Limited

Company Information

Directors	G M Agnew J G Davis H W Gregson R R Nagel A M Nemenyi
Company secretary	A M Nemenyi
Registered number	04021429
Registered office	3 Caxton Way Watford Business Park Watford Hertfordshire WD18 8UA
Independent auditor	BDO LLP Newton House Cambridge Business Park Cambridge CB4 0WZ

Aerospars 2000 Limited

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Aerospars 2000 Limited

Strategic Report For the Year Ended 31 December 2019

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2019.

Fair review of the business

The principal activity of the company is the provision of stock and distribution of components to the aviation industry.

The aviation materials industry is a competitive marketplace and the company's focus has been to continue growing the business. On December 5, 2019, Imco Bidco Limited, a company registered in England and Wales with company number 12273093, completed the acquisition of the entire issued share capital of the company.

Principal risks and uncertainties

At the date of approval of the financial statements, many nations including the UK are requesting their residents to stay at home for an extended period to curb the spread of the Covid-19 virus, while levels of activity in the aviation industry continue to be significantly affected by national lockdowns and increasingly by quarantine requirements being applied by national governments to international travel.

Naturally these factors are having a significant impact on the company, a provider of spares to the aviation industry, at a time when flights are much reduced. Along with many other businesses around the world, the company is dealing with these uncertainties by taking steps to mitigate the impacts on the business by reducing costs where possible, and discussing the company's position and its ongoing requirements with lenders and shareholders. Following discussions with lenders and the ultimate controlling party, it is the opinion of the board that the company will have the support it needs to be able to continue to trade as a going concern for the next twelve months.

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 this risk by operating various foreign currency bank accounts. With zero external borrowing other than finance leases denominated in GBP at fixed interest rates, the company is not exposed to interest rate risk.

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.

Aerospars 2000 Limited

Strategic Report (continued)
For the Year Ended 31 December 2019

Financial key performance indicators

The directors monitors the performance of the company using the following key performance indicators (KPI's):

	2019	2018
Sales growth	3.25%	27.25%
Gross margin	34.01%	34.12%
Pre-tax margin	26.36%	26.07%
Employee growth	14.28%	31.25%
Sales per employee	\$1,839,284	\$2,035,807
Net profit per employee before tax	\$484,883	\$530,807

Other key performance indicators

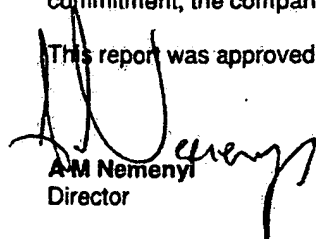
As reported in the statement of comprehensive income on page 9, the company achieved sales of \$44,142,830 for the year (2018 - \$42,751,951), gross profit of \$15,011,046 (2018 - \$14,587,779) and a pre-tax profit of \$11,637,196 (2018 - \$11,145,076). Net assets fell by \$5.6m from \$29.3m to \$23.7m.

Other information and explanations

The company plans further organic growth by making use of its strong liquid position. In line with this commitment, the company moved to a much larger, state of the art headquarters during the prior year.

This report was approved by the board on 4th June 2020

and signed on its behalf.


A.M. Nemenyi
Director

Aerospars 2000 Limited

Directors' Report For the Year Ended 31 December 2019

The directors present their report together with the audited financial statements for the year ended 31 December 2019.

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 \$9,360,853 (2018 - \$9,045,349).

The company paid a dividend of \$15,020,000 during the year (2018 - \$Nil).

Directors

The directors who served during the year were:

G M Agnew (appointed 5 December 2019)
J G Davis (appointed 5 December 2019)
H W Gregson (appointed 5 December 2019)
R R Nagel (appointed 5 December 2019)
A M Nemenyi

Financial instruments

Financial instruments and financial risk management

The company's financial instruments comprise cash and liquid resources, and various items such as trade debtors and trade creditors that arise directly from its operations. The main financial risks arising from these financial instruments are currency, credit and liquidity risk.

The financial risks arising from these financial instruments are considered to be low because of the nature of the industry structure and its culture. The company proactively manages all aspects of its work in order to either remove or reduce any financial risks. The company does not use any financial derivatives.

Financial risk management objectives and policies are included in the strategic report under principal risks and uncertainties.

Future developments

The company is planning continued organic growth by making use of its strong liquid position and the larger warehouse facilities at its new 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.

Aerospars 2000 Limited

Directors' Report (continued)
For the Year Ended 31 December 2019

Auditor

The auditor, BDO LLP, who was appointed in the year, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 4th June 2020

and signed on its behalf.


A M Nemenyi
Director

Aerospars 2000 Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2019

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Aerospars 2000 Limited

Independent Auditor's Report to the Members of Aerospars 2000 Limited

Opinion

We have audited the financial statements of Aerospars 2000 Limited ("the company") for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 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 opinion.

Material uncertainty related to going concern

We draw attention to note 2.2 to the financial statements, which states that the directors continue to assess the impact of COVID-19 which could lead to the risk that the controlling party and current lenders will not continue to provide the required financial support to the company during the next twelve months. On this basis there is considered to be a material uncertainty which may cast significant doubt over the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Aerospars 2000 Limited

Independent Auditor's Report to the Members of Aerospars 2000 Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report 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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and 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.

Aerospares 2000 Limited

Independent Auditor's Report to the Members of Aerospares 2000 Limited (continued)

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

 BDO LLP

Piers Harrison (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Cambridge
United Kingdom
5 June 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Aerospars 2000 Limited

Statement of Comprehensive Income For the Year Ended 31 December 2019

	Note	2019 \$	2018 \$
Turnover	4	44,142,830	42,751,951
Cost of sales		(29,131,784)	(28,164,172)
Gross profit		15,011,046	14,587,779
Administrative expenses		(3,383,571)	(3,505,008)
Operating profit	5	11,627,475	11,082,771
Interest receivable and similar income	8	84,647	116,674
Interest payable and similar charges	9	(74,926)	(54,369)
Profit before tax		11,637,196	11,145,076
Tax on profit	10	(2,276,343)	(2,099,727)
Profit for the financial year		9,360,853	9,045,349
Other comprehensive income		-	-
Total comprehensive income for the year		9,360,853	9,045,349

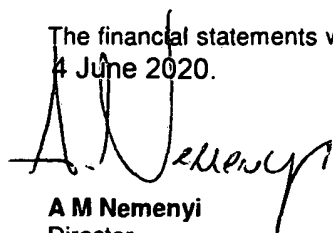
The notes on pages 14 to 33 form part of these financial statements.

Aerospars 2000 Limited
Registered number: 04021429

Statement of Financial Position
As at 31 December 2019

	Note	2019 \$	2019 \$	2018 \$	2018 \$
Fixed assets					
Tangible assets	12		1,316,055		1,631,405
Current assets					
Stocks	13	23,409,122		20,188,825	
Debtors: amounts falling due after more than one year	14	-		3,064,743	
Debtors: amounts falling due within one year	14	11,315,313		6,832,704	
Cash at bank and in hand		1,699,990		4,842,649	
		<u>36,424,425</u>		<u>34,928,921</u>	
Creditors: amounts falling due within one year	15	<u>(6,612,063)</u>		<u>(6,828,870)</u>	
Net current assets			<u>29,812,362</u>		<u>28,100,051</u>
Total assets less current liabilities			<u>31,128,417</u>		<u>29,731,456</u>
Creditors: amounts falling due after more than one year	16		<u>(7,422,646)</u>		<u>(338,622)</u>
Provisions for liabilities					
Deferred tax	19		<u>(18,193)</u>		<u>(46,109)</u>
Net assets			<u><u>23,687,578</u></u>		<u><u>29,346,725</u></u>
Capital and reserves					
Called up share capital	20		150		150
Profit and loss account	21		23,687,428		29,346,575
Total equity			<u><u>23,687,578</u></u>		<u><u>29,346,725</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 June 2020.


A M Nemenyi
Director

The notes on pages 14 to 33 form part of these financial statements.

Aerospars 2000 Limited

Statement of Changes in Equity For the Year Ended 31 December 2019

	Called up share capital	Profit and loss account	Total equity
	\$	\$	\$
At 1 January 2019	150	29,346,575	29,346,725
Comprehensive income for the year			
Profit for the year	-	9,360,853	9,360,853
Total comprehensive income for the year	-	9,360,853	9,360,853
Dividends: equity capital	-	(15,020,000)	(15,020,000)
At 31 December 2019	150	23,687,428	23,687,578

Statement of Changes in Equity For the Year Ended 31 December 2018

	Called up share capital	Profit and loss account	Total equity
	\$	\$	\$
At 1 January 2018	150	20,301,226	20,301,376
Comprehensive income for the year			
Profit for the year	-	9,045,349	9,045,349
Total comprehensive income for the year	-	9,045,349	9,045,349
At 31 December 2018	150	29,346,575	29,346,725

The notes on pages 14 to 33 form part of these financial statements.

Aerospares 2000 Limited

Statement of Cash Flows For the Year Ended 31 December 2019

	2019	2018
	\$	\$
Cash flows from operating activities		
Profit for the financial year	9,360,853	9,045,349
Adjustments for:		
Depreciation of tangible assets	349,966	351,312
Loss on disposal of tangible assets	(2,429)	9,582
Interest paid	74,926	54,369
Interest received	(84,647)	(116,674)
Taxation charge	2,276,343	2,099,727
Increase in stocks	(3,220,297)	(4,222,358)
Increase in debtors	(4,491,088)	(1,802,014)
Increase/(decrease) in creditors	1,024,674	(665,961)
Corporation tax (paid)/received	(3,554,031)	(1,774,328)
Net cash generated from operating activities	<u>1,734,270</u>	<u>2,979,004</u>

Aerospares 2000 Limited

Statement of Cash Flows (continued) For the Year Ended 31 December 2019

	2019	2018
	\$	\$
Cash flows from investing activities		
Purchase of tangible fixed assets	(40,950)	(1,359,300)
Sale of tangible fixed assets	8,763	-
Receipt of amounts owed by related parties	3,064,743	-
Interest received	84,647	116,674
Finance lease interest paid	(74,926)	-
Net cash used in investing activities	3,042,277	(1,296,995)
Cash flows from financing activities		
New bank borrowings	7,325,497	-
Repayment of finance leases	(224,703)	-
Dividends paid	(15,020,000)	-
Net cash used in financing activities	(7,919,206)	-
Net (decrease)/increase in cash and cash equivalents	(3,142,659)	1,682,009
Cash and cash equivalents at beginning of year	4,842,649	3,160,640
Cash and cash equivalents at the end of year	(1,699,990)	4,842,649
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,699,990	4,842,649

The notes on pages 14 to 31 form part of these financial statements.

Aerospars 2000 Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

1. General information

Aerospars 2000 Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activity are set out in the directors' report.

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

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

The following principal accounting policies have been applied:

2.2 Going concern

Due to the nature of the company's trade, being the provision of spare parts to the aviation industry which has been severely impacted by Covid-19, the company is reliant on the continued availability of its existing borrowing facilities in order to continue as a going concern, however the directors believe that the impacts of COVID-19 on the business will result in breaches of lending covenants in the next 12 months, which could result in the withdrawal of facilities.

Following enquiry of the company's lenders and shareholders, the directors have obtained assurances that the lenders will support the company by either waiving or amending the applicable covenants, and further that the ultimate parent company will provide additional support if that should be necessary to ensure that the company can continue in operation for a period of at least 12 months from the date of approval of these financial statements and so the going concern basis of accounts preparation is considered to be appropriate.

Please note however, that there has been significant disruption to the global economy and the airline industry due to the ongoing impacts of Covid-19 the full impact of which cannot be determined with certainty. As seen across the global landscape, this ongoing event carries with it a material uncertainty that may impact the company's future profitability, and which by extension could result in changes to the intentions of both the company's lenders and its shareholders to continue to provide the required financial support. Therefore a material uncertainty exists which may cast significant doubt on the company's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would be required should the going concern basis of preparation no longer be appropriate.

Aerospars 2000 Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.3 Turnover

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 dispatch of the goods), the amount of revenue can be measured reliably, 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 service.

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

2.4 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.

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 land and buildings	- over the term of the lease
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 the statement of comprehensive income.

Aerospars 2000 Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.5 Impairment of fixed assets

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

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

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

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

2.6 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the statement of comprehensive income so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Aerospars 2000 Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.7 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 the reused item is refurbished and entered into the stock pool. The cost of refurbishment 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 or loss. The assessment is based on a review of all parts held to ensure they are still used by aircraft currently in service.

2.8 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.

2.9 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.

In the statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

Aerospars 2000 Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.10 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.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 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.

Aerospars 2000 Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.12 Foreign currency translation

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 the statement of comprehensive income 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 the statement of comprehensive income within 'other operating income'.

2.13 Finance costs

Finance costs are charged to the statement of comprehensive income 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.

2.14 Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income in the year in which they are incurred.

2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.16 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 the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

Aerospars 2000 Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.17 Employee benefits

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

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

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

2.18 Interest Income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, 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 reporting 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 statement of financial position 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 reporting date.

Aerospars 2000 Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

3. Judgements 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 judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised 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 Judgements

The following are the critical accounting estimates and judgements 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 judgement and estimates. Where the expectation is different from the original estimate or judgement, such difference will impact the carrying value of stock and write-downs of stock in the periods in which such estimates or judgements have been changed. The accounting policy of stocks is described in note 2.7. At the year end the carrying amount of stocks is stated in note 13.

Impairment of trade debtors

The company reviews trade debtor 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 judgement, 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. The accounting policy of trade debtors is described in note 2.8. At the year end the carrying amount of trade debtors is stated in note 14.

Aerospars 2000 Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

6. Employees

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

	2019	2018
	\$	\$
Wages and salaries	1,189,144	1,028,307
Social security costs	116,889	93,435
Cost of defined contribution scheme	111,368	105,813
	1,417,401	1,227,555
	1,417,401	1,227,555

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

	2019	2018
	No.	No.
Administration	7	6
Sales	8	7
Warehouse	9	8
	24	21
	24	21

7. Directors' remuneration

	2019	Restated 2018
	\$	\$
Remuneration for qualifying services	42,089	44,086
Company pension contributions to defined contribution schemes	49,914	67,303
	92,003	111,389
	92,003	111,389

Out of the total number of 5 directors and members of the senior management team, the remuneration of 4 members had been paid by the ultimate parent company Acorn A2K LLC. Only 1 member, the CEO A M Nemenyi had been paid by the company.

A total of \$28,404 which relates to pension contribution for the commercial manager had been wrongly classified under the director's remuneration note for the 2018 comparative figure. This has now now reclassified to Remuneration of key management personnel at Note 26.

Aerospars 2000 Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

8. Interest receivable and similar income

	2019 \$	2018 \$
Other interest income	<u>84,647</u>	<u>116,674</u>

9. Interest payable and similar charges

	2019 \$	2018 \$
Interest on finance leases and hire purchase contracts	37,012	39,566
Other interest on financial liabilities	37,914	10,618
Other interest	-	4,185
	<u>74,926</u>	<u>54,369</u>

10. Taxation

	2019 \$	2018 \$
Corporation tax		
Current tax on profits for the year	2,290,477	2,118,841
Adjustments in respect of previous periods	6,183	(55,532)
Total current tax	<u>2,296,660</u>	<u>2,063,309</u>
Deferred tax		
Origination and reversal of timing differences	(20,317)	36,418
Total deferred tax	<u>(20,317)</u>	<u>36,418</u>
Taxation on profit on ordinary activities	<u>2,276,343</u>	<u>2,099,727</u>

Aerospars 2000 Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 \$	2018 \$
Profit on ordinary activities before tax	<u>11,637,196</u>	<u>11,145,076</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	2,211,067	2,117,564
Effects of:		
Fixed asset differences	18,050	(4,429)
Expenses not deductible for tax purposes	77,625	12,709
Over provided in prior years	-	(55,532)
Group relief claimed	(34,703)	-
Deferred tax adjustments in respect of prior years	-	36,418
Other tax adjustments	(6,626)	(7,003)
Adjust closing deferred tax to average rate of 19%	(2,140)	-
Adjust opening deferred tax to average rate of 19%	3,751	-
Current tax (prior period) exchange difference arising on movement	6,183	-
Current tax (current period) exchange difference arising on movement	3,136	-
Total tax charge for the year	<u><u>2,276,343</u></u>	<u><u>2,099,727</u></u>

Factors that may affect future tax charges

There are no factors that may affect future tax charges.

11. Dividends

	2019 \$	2018 \$
Interim paid	<u><u>15,020,000</u></u>	<u><u>-</u></u>

Aerospars 2000 Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

12. Tangible fixed assets

	Leasehold land and buildings \$	Leasehold improvements \$	Motor vehicles \$	Fixtures and fittings \$	Warehouse handling - forklifts \$	Total \$
Cost						
At 1 January 2019	780,845	682,870	21,748	474,658	56,293	2,016,414
Additions	-	-	-	40,950	-	40,950
Disposals	-	-	-	(8,446)	-	(8,446)
At 31 December 2019	<u>780,845</u>	<u>682,870</u>	<u>21,748</u>	<u>507,162</u>	<u>56,293</u>	<u>2,048,918</u>
Depreciation						
At 1 January 2019	111,549	97,553	21,748	140,086	14,073	384,129
Charge for the year	111,549	97,553	-	126,791	14,073	350,846
Disposals	-	-	-	(2,112)	-	(2,112)
At 31 December 2019	<u>223,098</u>	<u>195,106</u>	<u>21,748</u>	<u>264,765</u>	<u>28,146</u>	<u>732,863</u>
Net book value						
At 31 December 2019	<u>557,747</u>	<u>487,764</u>	<u>-</u>	<u>242,397</u>	<u>28,147</u>	<u>1,316,055</u>
At 31 December 2018	<u>669,296</u>	<u>585,317</u>	<u>-</u>	<u>334,572</u>	<u>42,220</u>	<u>1,631,405</u>

Aerospars 2000 Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

12. Tangible fixed assets (continued)

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

	2019 \$	2018 \$
Tangible fixed assets	<u>557,747</u>	<u>669,296</u>

13. Stocks

	2019 \$	2018 \$
Finished goods and goods for resale	<u>23,409,122</u>	<u>20,188,825</u>

14. Debtors

	2019 \$	2018 \$
Due after more than one year		
Other debtors	<u>-</u>	<u>3,064,743</u>
Due within one year		
Trade debtors	5,902,529	6,630,639
Other debtors	5,304,616	140,492
Prepayments and accrued income	108,168	61,573
	<u>11,315,313</u>	<u>6,832,704</u>

Trade debtors disclosed above are measured at amortised cost.

Other debtors include \$5,136,327 due from the parent company Imco Bidco Limited.

The 2018 other debtors balance of \$3,064,743 related to a sterling denominated loan of £2,500,000 to a company controlled by A M Nemenyi. The loan was fully repaid during the year ended 31 December 2019. It was unsecured and repayable by 2047 and interest was charged at base plus 3%. Interest receivable for the year was \$33,379 (2018 - \$115,384).

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debtors was \$184,034 (2018 - \$658,741).

Aerospares 2000 Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

15. Creditors: amounts falling due within one year

	2019	2018
	\$	\$
Obligations under finance leases	254,703	237,933
Trade creditors	4,000,427	2,388,970
Corporation tax	128,637	1,386,008
Other taxation and social security	52,107	55,023
Other creditors	986,082	978,901
Accruals and deferred income	1,190,107	1,782,035
	6,612,063	6,828,870

16. Creditors: amounts falling due after more than one year

	2019	2018
	\$	\$
Bank borrowings	7,325,497	-
Obligations under finance leases	97,149	338,622
	7,422,646	338,622

The bank borrowings relate to a revolving credit facility provided by Wells Fargo and is an Assets Based Lending Facility secured against a percentage of the company's accounts receivable and inventory balances. 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%.

17. Finance lease obligation

Minimum lease payments under finance leases fall due as follows:

	2019	2018
	\$	\$
Within one year	254,703	237,933
In two to five years	97,149	338,622
	351,852	576,555

Finance lease payments represent rentals payable by the company for certain tangible fixed assets. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The leases terminate in 2021. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The leases are secured on the fixed assets financed as disclosed in note 12.

Aerospars 2000 Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

18. Financial Instruments

	2019 \$	2018 \$
Financial assets		
Financial assets measured at amortised cost	<u>11,108,648</u>	<u>9,695,382</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>13,755,468</u>	<u>5,726,461</u>

19. Deferred taxation

	2019 \$
At beginning of year	46,109
Charged to profit or loss	(27,916)
At end of year	<u>18,193</u>

The provision for deferred taxation is made up as follows:

	2019 \$	2018 \$
Fixed asset timing differences	29,753	46,109
Short term timing differences	(11,560)	-
	<u>18,193</u>	<u>46,109</u>

20. Share capital

	2019 \$	2018 \$
Allotted, called up and fully paid		
100 ordinary shares of \$1.50 each	<u>150</u>	<u>150</u>

Aerospares 2000 Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

21. Reserves

The company's capital and reserves are as follows:

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 profits or losses, net of dividends paid and other adjustments.

22. Analysis of net debt

	At 1 January 2019 \$	Cash flows \$	At 31 December 2019 \$
Cash at bank and in hand	4,842,649	(3,142,659)	1,699,990
Bank borrowings	-	(7,325,497)	(7,325,497)
Debt due within 1 year	(4,504)	5,719	1,215
Finance leases	(576,555)	224,703	(351,852)
	<u>4,261,590</u>	<u>(10,237,734)</u>	<u>(5,976,144)</u>

23. 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 \$111,368 (2018 - \$105,813). Contributions totalling \$(1,215) (2018 - \$4,504) were (receivable)/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 2019

24. Commitments under operating leases

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases as noted below. The rent is payable in sterling and expires in 2025 with a rent review due in 2023. The property is owned by a company controlled by A M Nemenyi.

	2019	2018
	\$	\$
Not later than 1 year	252,000	268,149
Later than 1 year and not later than 5 years	1,106,115	1,072,596
Later than 5 years	-	301,668
	<u>1,358,115</u>	<u>1,642,413</u>

25. 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 \$25,000,000 (2018: \$Nil).

Aerospars 2000 Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

26. Related party transactions

Remuneration of key management personnel

The remuneration of the directors and other members of key management during the year was as follows:

	2019	2018
	\$	\$
Aggregate compensation	<u>249,782</u>	<u>247,695</u>

Entities with control, joint control or significant influence over the entity

Out of the total number of 5 directors and members of the senior management team, the remuneration of 4 members had been paid by the ultimate parent company Acorn A2K LLC. Only 1 member, the CEO A M Nemenyi had been paid by the company thereby resulting in the significant drop in the aggregate compensation during the year.

Dividends of \$15,020,000 (2018 - \$Nil) were paid to the former parent company Nextgen Limited during the year.

Transactions with related parties

The other debtors due within one year of \$5,136,327 disclosed in note 14 are in respect of a loan to a parent company Imco Bidco Limited.

The 2018 other debtors balance of \$3,064,743 was owed by a company controlled by the A. M. Nemenyi, the company's executive director. As noted under Note 14 above the loan was fully repaid during the year ended 31 December 2019.

Rent prepaid during the year was \$210,000 (2018 - rent payable was \$334,397) in respect of a property leased from a company controlled by A M Nemenyi. The sum of \$Nil (2018 - \$26,833) was owed to the company at the year end.

27. Controlling party

The immediate parent company is Imco Bidco Limited, a company registered in the United Kingdom. Imco Bidco does not prepare or produce group accounts.

The smallest and largest group of undertakings for which group accounts are prepared is Imco Topco Limited, a company registered in the United Kingdom.

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

Aerospars 2000 Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

28. Post balance sheet events

Since the balance sheet date of 31 December 2019 there has been significant disruption to the global economy due to the ongoing impacts of Covid-19. As seen across the global landscape, this ongoing event carries with it uncertainties over the extent and duration of this disruption which may raise doubt on the company's future profitability, or ability to continue as a going concern. As at the date of finalizing these financial statements an estimate of the financial impact of Covid-19 on funding being made available to the company cannot be made, however it may cast material uncertainties on the company's ability to continue as a going concern in the next 12 months.