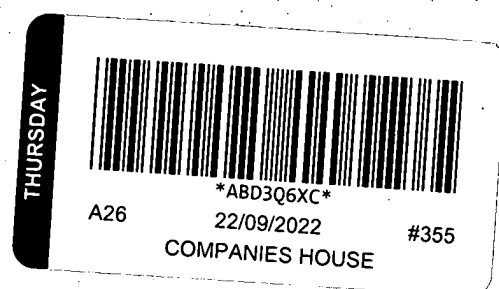


**AerFin Limited**

**Annual report and financial statements**

**Registered number 07371844**

**31 December 2021**



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## **Company information**

### **Directors**

RJ James  
V Hahn-Petersen  
A Hoad  
M J Humphreys  
P Nolan  
L W Mollan  
P Ryttergaard

### **Registered number**

07371844

### **Registered office**

Unit D, Greenway  
Bedwas House Industrial Estate  
Bedwas  
Caerphilly  
Mid Glamorgan  
CF83 8DW

### **Independent auditor**

KPMG LLP  
Assembly Square  
3 Britannia Quay  
Cardiff  
CF10 4AX

## Strategic Report

### Business review

2021 was the second successive year in which the COVID19 pandemic had a profound impact on the aviation industry. In light of this continuing challenge, we have pleasure in sharing AerFin's financial results that demonstrate the ongoing resilience of the business that is seeing the demand for products and services recover ahead of global air traffic.

Although 2020 concluded on a positive footing, both in terms of AerFin's business resilience and also the optimism around successful vaccine trials by several pharmaceutical giants, much challenge was still expected through 2021 in terms of the global regulatory approval, roll-out and take up of the vaccines.

The businesses forecasts for 2021 remained relatively true to what transpired in terms of the slow start in air traffic recovery. Many developed economies had full 'lock downs' through the 1<sup>st</sup> quarter as vaccines were rolled out through the population.

Eurocontrol, the body responsible for European air traffic management, charted average European air traffic levels at ~36% of pre-pandemic (2019) levels for the first 5 months 2021. The USA saw a slightly quicker recovery over the same period with the Transportation Security Administration ("TSA") recording average passenger checkpoint activity for the 1<sup>st</sup> 5 months of 2021 at 52% of 2019 levels. Both regions saw good recovery in air traffic and passenger numbers in the last 7 months of 2021 with European air traffic at ~69% of 2019 levels and US TSA checkpoint activity at ~79% of 2019 levels. These left the annualised recovery rates at ~55% and ~69% respectively.

AerFin's 2021 financial performance was pleasing against this backdrop of challenging market conditions.

Revenue hit \$84.4m, up \$26.5m (46%) from 2020 (\$57.9m for the 12-month period ended 31 December 2020) and standing at 67% of 2019 levels (\$125.6m). The recovery in revenues was largely driven by growth in sales in North America where customer appetite for used serviceable aircraft parts was generally increasing as airlines looked to preserve cash and rebuild balance sheets by buying cost-effective used vs. new parts.

Gross margins softened through the period, falling from 28% in 2020 to 24% in 2021, largely as a result of the volume of lower-margin consignment parts. Accessing inventory via consignments was favoured as it allowed the business to maintain continuity of supply whilst preserving liquidity and managing ownership exposure to potentially volatile asset values.

Pleasingly, the overall number remains low of aircraft being retired, that could otherwise provide competing inventory to AerFin. In addition, bidding levels on assets for sale is returning to pre-pandemic values, giving us a high confidence factor that gross margins will recover as the consignment inventory depletes.

The organisation maintained good control over operating costs with EBITDA (Operating profit adding back depreciation, amortisation and exceptional administrative expenses) coming in at \$8.2m up 110% from 2020 (\$3.9m for the 12-month period ended 31 December 2020).

The financial health of the business remains on firm footing heading into 2022, with an inventory portfolio of \$79.6m, predominantly made up of parts received from young-vintage narrow body and regional jet aircraft and engines: these are the platforms that will continue to lead the air traffic recovery. The business has no material reliance on revenues or residual value realisation from wide-body aircraft or engines. AerFin has continued to invest in inventory to ensure the business is ready as recovery and demand ramps up through 2022.

Proactive debtor management over 2021 saw the bad debt provision reduce as doubtful debts were received. Debtor days were managed to 49 days, an increase from 35 days in 2020 due to the need to assist customers at a time when support was most required.

Operational cash generation of \$4.6m in 2021 was an increase of 15% from 2020, despite investment in inventory increasing by \$1.9m over the same period. Most of the cash generated was utilised to pay down the revolving credit facility (advanced against inventory and trade receivables) with bank borrowings falling by \$4.3m over the period. Over 20% of the facility remains available to draw down at 31<sup>st</sup> December 2021.

Overall borrowings for the group fell by \$20.4m as the holders of preference shares elected to convert stock to ordinary shares in response to the improving financial performance and positive prospects for a fast return to growth. The encouraging results leave AerFin well poised heading into 2022 with a strong portfolio and good liquidity to take advantage of the uncertain market conditions that will bring fresh opportunities.

## **Strategic Report *(continued)***

On behalf the board and the co-investors I would like to thank the team at AerFin for their efforts through 2021 in achieving these pleasing results against the challenging market headwinds.

On behalf of the company and all shareholders, I would like to pay particular thanks to AerFin's founder and retiring CEO Bob James for his commitment and continued support in building the business from its inception to the well-respected, professional, aviation services provider that it is today. AerFin has experienced significant growth under his leadership we look forward to Bob's continued support as he transitions to the role of Non-Executive Director.

We are also pleased to welcome Simon Goodson as CEO. Simon has a wealth of experience gained through a career spanning the Royal Navy, asset backed finance, engine leasing and latterly Rolls Royce PLC where he served in various roles, most recently as Senior Vice President – Customer Business, Civil Aerospace, heading up global sales for civil engines and services. We are very excited about the future of AerFin under Simon's stewardship.

## Strategic Report *(continued)*

### Principal risks and uncertainties

The group uses financial instruments comprising borrowings, some cash and liquid resources and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to assist in financing the group's operations.

The directors consider the group well placed in mitigating asset risk, due to the liquid nature of the group's existing inventory/trading assets. The directors have an established and successful track record of operating in this sector and managing the below risks as far as possible through detailed market analysis, technical due diligence, and careful investment.

The following factors have the ability to impact the future trading success of the business:

- Oil prices: the group focuses on civil aircraft which are aged typically from 7 to 20 years. Newer-generation aircraft have been designed to maximise fuel efficiencies through the introduction of fuel-efficient technologies. With fuel costs typically accounting for around 40% of an airline's operating cost, rising fuel costs can render older aircraft less profitable, whereas falling fuel costs can increase the profitability of these older aircraft, due to their lower operating cost;
- Global demand for air travel: demand for global air travel drives aircraft utilisation which increases the requirement for leased engines, leased aircraft and components used in the refurbishment of aircraft and engines and the Maintenance Repair and Overhaul (MRO) sector. A reduction in global air travel will impact the volume of MRO and thus spares parts demand;
- New equipment manufacture/aircraft retirement cycle: both market-leading aircraft manufacturers (Boeing and Airbus) boast record order books for new generation aircraft. The ability of the manufacturers to meet delivery timescales will in effect determine the rate at which older equipment is phased out. Mass retirements of a particular model of aircraft will reduce aircraft utilisation and MRO and thus the demand for parts. This would reduce the acquisition price at which the group acquires new inventory and would in turn reflect the reduced sale and lease opportunities of parts;
- Original Equipment Manufacturers (OEMs) and air safety regulations: in the interest of improving the operating reliability of products, from time to time equipment modifications are enforced by the OEMs or the relevant air safety agency. Such modifications can affect the merchantability or airworthiness of a component or aircraft which can lead to unforeseen overhaul costs or even the scrapping of inventory where no such corrective programme exists;
- Cost/availability of financing: both the cost and availability of financing may play a part in deciding the type of an aircraft that an airline will operate. The low cost of capital and increased availability of financing opportunities provides established and new start-up airlines opportunities for new technology aircraft that require less MRO spend;
- Exchange fluctuations: AerFin transacts in US dollars (asset sales, purchases and lease revenues), with operating costs mainly incurred in Sterling. US dollars is therefore the functional currency, thereby creating foreign exchange translation risk;
- Brexit: the UK leaving the European Union had the potential to disrupt AerFin's business with European customers and suppliers. Aviation parts continue to attract low levels of duty as the industry is reliant on a global supply chain to keep aircraft in service. The principal risk for the business is ensuring that the parts get to the customers as quickly as possible with frictionless movement at the borders.

To minimise exposure to possible border delays and to strategically position the business to attract new customers and to maintain a competitive advantage, the business obtained a licence to operate a Customs Warehouse and is further looking into Obtaining Authorised Economic Operator (AEO) status. AerFin increased its available pool of inventory outside of the UK on signing of new agreements in 2021;

## Strategic Report (continued)

### Principal risks and uncertainties (continued)

- **COVID-19:** during the audit period, the COVID-19 pandemic has continued to represent a major risk to the global economy. Countries responded to stop the spread of the virus through imposing social distancing and quarantine measures, in addition to closing borders to non-nationals and imposing restrictions on international travel. As a consequence, the financial impact of entire aircraft fleets being grounded created a liquidity challenge for all companies exposed to the commercial aviation passenger industry. AerFin has taken steps to adjust the 2022 business plan to take into account the key risks to the business posed by COVID-19;
- **Customer Credit Risk:** While AerFin makes informed decisions when granting credit lines to its customers, counterparty credit risk remains a key consideration to the financial performance of the business. Despite a clear focus on debtors and managing overdue accounts, with many customers seeking to extend payment terms, an increase in debtor days and increased risk of airline defaults would represent clear risks to the business;
- **Asset Values:** with the debt facility advanced against appraised value of inventory, a reduction in the 12-month Orderly Liquidated Value and Current Market Value of assets could reduce the amount of leverage available to AerFin under the credit facility, thereby adversely impacting funding availability;
- **Interest Rates:** the business is financed in part through a revolving credit facility that is funded through 1-month USD LIBOR loans. The business can be impacted by changes in 1-month USD LIBOR rates and potentially through the replacement of LIBOR itself;
- **Asset Availability:** a reduction in the economic life of commercial aircraft that are core products of the business could result from the grounding of aircraft fleets. Although an increase in supply and a reduction demand could see declining market pricing achievable from AerFin inventory, no such declines have been experienced to date; and,
- **Maintenance Activity:** increased availability of used aircraft could result in global repair facilities and OEMs reducing their MRO capacity as airlines seek to conserve cash and minimise maintenance spend. A reduction in MRO activity could see a decline in material demand and result in a reduction in revenues.

### Section 172 statement:

Commensurate with an investment by CataCap, a roadmap for establishing best practice in governance has been established:

### Board Composition:

A team of industry-experienced and independent non-executive directors (5) has been established. The non-executive team comprises seasoned commercial aviation industry professionals, each bringing a different specialism, to ensure a diverse range of viewpoints is considered at board meetings and to support the strategic growth of the company.

The role of the non-executive team is to ensure that the performance of the business continues to align with the desired strategy of the board. The independent nature of the appointment also ensure that board decisions are balanced and not in favour of any particular shareholder nor group of shareholders.

### Strategy and Development of 5-year Plan:

The business has developed a 5-year strategic plan with input from an industry-leading consultancy firm that provided an independent in-depth review of the business, working with AerFin's Leadership Team and the board to validate the outcome.

The review looked at AerFin's existing core skills and competencies, its products and services and considered the future size and shape of the industry, key global markets and changes in fleet composition. The review identified improvements and areas of focus for the business to meet the investment goals and timeframe. The review culminated in creating a sustainable and attractive business model focussed on growing the enterprise value of AerFin for the benefit of all stakeholders.

## **Strategic Report (continued)**

### **Strategy and Development of 5-year Plan (continued)**

To ensure complete alignment throughout the business of Key Performance Indicators, the Leadership Team and key managers were fully engaged in the development of the strategy that was ultimately agreed by the Leadership Team and Board to ensure alignment with the goals of the stakeholders.

#### **Management Incentivisation:**

The retention and incentivisation of key management within the business is considered key to underpinning enterprise value of the organisation. The Management Investment and Incentivisation Programme was rolled out to all management in March 2021 to provide the ability to purchase shares in the business.

Staff training and development is a key focus of the future strategy of the business, as we look to build upon the skillset of the excellent team at AerFin. Skills and competencies are regularly assessed through an appraisal system and as a result of strategic and operational management reviews.

The directors aim to create a challenging, enjoyable and rewarding place to work where all staff have equal opportunity to thrive and develop.

#### **Quality and Consistency:**

With AerFin being a key supplier to many international airlines across the globe, safety and quality are considered of primary importance throughout the organisation.

The business maintains AS9120 and EASA part 145 approvals:

We are committed to continuously evaluating and improving our Quality Management System (QMS) and rigorously adhere to the following code of conduct:

- Promoting a culture of ethical behaviour throughout the organization, with an emphasis on customer support and high levels of customer service;
- Remaining focused on the market we serve, targeting areas of opportunity so that we can continue to work in line with our strategy for growth;
- Ensuring product safety remains a priority throughout every aspect of our operations and that our staff are acutely aware of their contribution to this;
- Ensuring our objectives and KPI's add value and drive the correct behaviour in line with group values;
- Empowering staff to fulfil their duties whilst ensuring they remain aware of their responsibilities to uphold group values at all times; and,
- Maintaining effective communication channels through a series of informal and formal meetings and communications at various levels of the organization.

As proof of AerFin's commitment to delivering the highest standards of Quality Procedure, we have been examined and accredited by one of the world's leading certification bodies, ASACB (ASA Certification Body).

#### **External Stakeholders:**

AerFin follows the guidance of our quality standards in the approval of both customers and suppliers prior to transactions being entered into.

Relationships with both customers and suppliers are key to ensuring that the organisation thrives.

Key metrics are established on behalf of both customers and suppliers and performance in relation to turn around times and despatch times which are closely monitored.

Regularly meetings are held with key customers and suppliers to evaluate and review performance to ensure that highest standards are adhered to at all times.

## Strategic Report *(continued)*

### Going Concern:

As at 31 December 2021, the group's financial arrangements consisted of a revolving credit facility of USD \$80m in place through to October 2024. AerFin's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group will be able to operate within the level of its facilities for a forecast period of at least 12 months from the approval date of these financial statements. Accordingly, the group continues to adopt the going concern basis in preparing its consolidated financial statements.

In particular, the uncertainty as to the future impact on the group of the COVID-19 pandemic has been considered as part of the group's adoption of the going concern basis.

The aviation industry has been significantly impacted by the COVID-19 pandemic: at its most severe impact point in Q2 2020, 3 quarters of the global commercial aircraft fleet were grounded, as many countries closed borders to stop the spread of the virus. The global fleet grounding drove a sudden drop in the demand for aircraft parts and aircraft maintenance and repair services. At the back end of 2020, the discoveries of several vaccines were announced, and these were rolled out en-masse to the populations through the 1<sup>st</sup> half of 2021. The demand and ability to travel by air has increased through 2021, with global utilisation levels for the year at ~64% of pre-pandemic (2019) levels.

The business has managed to retain a large proportion of revenues, due to a strong committed forward order book, embedded relationships with creditworthy customers, supply to cargo operators and wide global reach allowing continuity of trade with regions less affected by the pandemic.

AerFin has also benefitted through its primary strategic focus and inventory holding that supports young narrow-body and regional jet aircraft types. The group has further benefitted through having no dependency on revenues from wide-body, long-haul aircraft and out-of-production legacy product lines that continue to experience significant levels of grounding and low market demand. The business has also taken the opportunity to secure additional long-term revenue contracts as many operators have sought to minimise their costs and review pre-existing contractual arrangements.

Management consider AerFin to be prudently resourced, well stocked with in-demand inventory and to have retained ability to control repair investment expenditure. Collectively, this has enabled the business to manage its liquidity position through a protracted period of aviation industry downturn resulting from the COVID-19 pandemic.

In light of the current pandemic and the uncertainty of recovery timings, AerFin's management has used data from various aviation bodies and analysts such as Eurocontrol, IATA and Oliver Wyman consultancy. AerFin has created a flexible model to assess performance under a range of scenarios. Under the most adverse set of foreseeable circumstances (using 2021 as the floor), the forecast has concluded that the group has sufficient cash and covenant headroom during this period to conclude that the business remains a going concern.

In line with the industry analysts' projections, the base model assumes a progressive recovery in air traffic levels through 2022, with a gradual ramp up from Q1 expected. The reverse stress-tested model assumes that the recovery will extend through Q2, with the upturn in air traffic kicking in from H2 2022 and overall remaining at a similar level to 2021. The base model assumes an increase in the business operating costs to service the increase in demand, which under the reverse, stress-tested model have not been incurred.

The management team continues to closely monitor performance and update regular rolling forecasts. These take into account various commercial aviation outlook forecasts, and commentary produced by reputable consultancy and advisory firms, to balance the emergence of the business in a strong position post COVID-19 and preserving its liquidity position.

Under the most severe of the "worst-case scenarios" considered by the reverse stress-testing, management remains confident that the business will be able to take sufficient mitigation action to ensure that the group's financial resources remain sufficient over the forecast.

## Strategic Report (continued)

### Streamlined Energy and Carbon Reporting:

AerFin's principal business activities include the recycling and reuse of aircraft parts. In order to prevail this environmentally responsible outlook throughout the operation, the business is continually considering the impact of its wider activities on the environment and looking at ways to improve and reduce its carbon footprint.

The quality control levels of our commodity demand that parts are stored within certain temperature and humidity ranges which means that storage temperatures at our facilities need to be maintained using heating.

The business operates over 2 main UK based sites, one of which is staffed twenty-four hours a day, seven days a week. The sites need to be well lit and heated to ensure a safe operating environment for our colleagues. Therefore, electricity and gas are the main drivers of AerFin's carbon emissions.

In the year the following energy efficiency actions were taken:

- Provided staff with required hardware to work from home
- Revisited the layout of storage facility to heat and light only where needed
- More extensive use of video communication to drive down internal inter-site travel
- 1.6t of general waste was diverted from landfill and 0.9t was recycled, saving 0.4t of CO<sub>2</sub>e

The following projects have aimed at reducing the business carbon footprint are being considered:

- Revisit energy providers and use green energy where possible
- Adopt hybrid working following return-to-work guidance from the Government
- Electric vehicle salary sacrifice and cycle to work schemes
- Carbon offsetting

The business will continue to monitor its energy usage and effect improvements where practically possible, whilst maintaining a safe environment for our colleagues to work in.

Energy and carbon reporting for 2021:

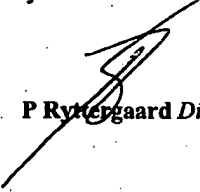
|                                                                                   | 2021      | 2020      | 2019      |
|-----------------------------------------------------------------------------------|-----------|-----------|-----------|
| UK energy use (kWh) - see (1)                                                     | 1,555,035 | 1,443,120 | 1,751,664 |
| Associated Greenhouse gas emissions (tonnes CO <sub>2</sub> equivalent) - see (2) | 306       | 285       | 349       |
| Intensity Ratio: Emissions (Tonnes) per square ft of floor space                  | 0.002     | 0.002     | 0.003     |

(1) UK energy use covers electricity, gas and transport as follows:

| Activity                            | Source of Information                               |
|-------------------------------------|-----------------------------------------------------|
| Electric use                        | Total kWh used from electricity bills               |
| Natural gas use                     | Total kWh used from gas bills                       |
| Fuel used in company owned vehicles | Litres of fuel purchased from invoices and receipts |
| Business Travel - Land              | Mileage travelled taken from expense claims         |

(2) The collected data is converted into greenhouse gas emissions associated with each activity, using the Government conversion factors for company reporting of greenhouse gas emissions (Data x Emission Factor = Greenhouse gas emissions).

By order of the board

 P Ryttergaard Director

23<sup>rd</sup> February 2022

## Directors' report

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

### Principal activity

The principal activity of the company is to supply aircraft components and technical services to the aviation industry.

### Results and dividends

The profit for the year, after taxation, amounted to \$1,687,000 (2020: loss \$2,458,000).

No dividends have been paid in the year (2020: £Nil).

### Directors

The directors who served during the year were:

RJ James  
P Ryttergaard  
V Hahn-Petersen  
A Hoad  
M J Humphreys  
P Nolan  
LW Mollan  
S J Goodson (appointed 6 December 2021)

### Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company and the Group's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company and the Group's auditor is aware of that information.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

  
P Ryttergaard Director

Unit D, Greenway  
Bedwas House Industrial Estate  
Bedwas  
Caerphilly  
Mid Glamorgan  
CF83 8DW

23 February 2022

## **Statement of directors' responsibilities in respect of the annual report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 and then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

Britannia Quay  
Cardiff  
CF10 4AX  
United Kingdom

## **Independent auditor's report to the members of AerFin Limited**

### **Opinion**

We have audited the financial statements of AerFin Limited ("the company") for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

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 UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

## **Independent auditor's report to the members of AerFin Limited (continued)**

### **Fraud and breaches of laws and regulations – ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Considering remuneration incentive schemes and performance targets for management and the directors.
- Using analytical procedures to identify any usual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as inventory valuation and provision for doubtful debts.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries with specific keywords, or journal entries posted to unusual accounts.
- Assessing significant accounting estimates for bias.

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of Company's ability to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and CAA, EASA and FAA regulations. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

## **Independent auditor's report to the members of AerFin Limited (continued)**

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 10, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **Independent auditor's report to the members of AerFin Limited (continued)**

### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**Jeremy Thomas (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
3 Assembly Square  
Britannia Quay  
Cardiff  
CF10 4AX

24th February 2022

**Statement of Comprehensive Income**  
for the year ended 31 December 2021

|                                                | <i>Note</i> | 2021<br>\$'000 | 2020<br>\$'000 |
|------------------------------------------------|-------------|----------------|----------------|
| Turnover                                       | 3           | 84,444         | 57,941         |
| Cost of sales                                  |             | (63,906)       | (41,967)       |
| <b>Gross profit</b>                            |             | <b>20,538</b>  | <b>15,974</b>  |
| Administrative expenses                        |             | (15,159)       | (15,381)       |
| Exceptional administrative expenses            | 10          | (92)           | (840)          |
| <b>Operating profit/(loss)/</b>                | 4           | <b>5,287</b>   | <b>(247)</b>   |
| Interest payable and expenses                  | 8           | (2,783)        | (2,706)        |
| <b>Profit/(loss) before taxation</b>           |             | <b>2,504</b>   | <b>(2,953)</b> |
| Tax on profit/(loss)                           | 9           | (817)          | 495            |
| <b>Profit/(loss) for the financial year</b>    |             | <b>1,687</b>   | <b>(2,458)</b> |
| <b>Total comprehensive income for the year</b> |             | <b>1,687</b>   | <b>(2,458)</b> |

There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of comprehensive income.

The notes on pages 18 to 35 form part of these financial statements.

**Statement of Financial Position**  
**at 31 December 2021**

|                                                            | Note | 2021<br>\$'000 | 2020<br>\$'000 |
|------------------------------------------------------------|------|----------------|----------------|
| <b>Fixed assets</b>                                        |      |                |                |
| Intangible assets                                          | 11   | -              | -              |
| Tangible assets                                            | 12   | 17,097         | 17,895         |
|                                                            |      | <u>17,097</u>  | <u>17,895</u>  |
| <b>Current assets</b>                                      |      |                |                |
| Stocks                                                     | 14   | 79,627         | 77,723         |
| Debtors: amounts falling due within one year               | 15   | 19,998         | 12,661         |
| Cash at bank and in hand                                   | 16   | 461            | 5,323          |
|                                                            |      | <u>100,086</u> | <u>95,707</u>  |
| Creditors: amounts falling due within one year             | 17   | (17,677)       | (10,876)       |
| <b>Net current assets</b>                                  |      | <u>82,409</u>  | <u>84,831</u>  |
| <b>Total assets less current liabilities</b>               |      | <u>99,506</u>  | <u>102,726</u> |
| Creditors: amounts falling due after more than one year    | 18   | (56,584)       | (61,975)       |
| <b>Provisions for liabilities</b>                          |      |                |                |
| Deferred taxation                                          | 21   | (1,492)        | (1,008)        |
| <b>Net assets</b>                                          |      | <u>41,430</u>  | <u>39,743</u>  |
| <b>Capital and reserves</b>                                |      |                |                |
| Called up share capital                                    | 22   | 184            | 184            |
| Profit and loss account                                    | 23   | 41,246         | 39,559         |
| <b>Equity attributable to owners of the parent company</b> |      | <u>41,430</u>  | <u>39,743</u>  |

These financial statements were approved by the board of Directors on 23<sup>rd</sup> February 2022 and were signed on its behalf by:

  
**P Ryttergaard Director**

Company registered number: 07371844

**Statement of Changes in Equity**  
*for the year ended 31 December 2021*

|                                                          | <b>Called up<br/>share<br/>capital<br/>\$'000</b> | <b>Profit and<br/>loss<br/>account<br/>\$'000</b> | <b>Total<br/>equity<br/>\$'000</b> |
|----------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|------------------------------------|
| Balance at 1 January 2020                                | 184                                               | 42,017                                            | 42,201                             |
| <b>Comprehensive income for the year:</b>                |                                                   |                                                   |                                    |
| Loss for the year                                        | -                                                 | (2,458)                                           | (2,458)                            |
| <b>Total comprehensive income for the year</b>           | -                                                 | (2,458)                                           | (2,458)                            |
| <b>At 31 December 2020</b>                               | <b>184</b>                                        | <b>39,559</b>                                     | <b>39,743</b>                      |
| Balance at 1 January 2021                                | 184                                               | 39,559                                            | 39,743                             |
| <b>Comprehensive income for the year:</b>                |                                                   |                                                   |                                    |
| Profit for the year                                      | -                                                 | 1,687                                             | 1,687                              |
| <b>Total comprehensive income for the financial year</b> | -                                                 | 1,687                                             | 1,687                              |
| <b>At 31 December 2021</b>                               | <b>184</b>                                        | <b>41,246</b>                                     | <b>41,430</b>                      |

## Notes

*(forming part of the financial statements)*

### 1. Accounting policies

#### 1.1 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 (note 2). The Company's functional and presentational currency is USD. Monetary amounts in these financial statements are rounded to the nearest \$'000.

The following principal accounting policies have been applied:

#### 1.2 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 Atlantic Holdco Limited as at 31 December 2021 and these financial statements may be obtained from Companies House.

#### 1.3 Exemption from preparing consolidated financial statements

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

#### 1.4 Going concern

As at 31 December 2021, the company had net current assets of \$82,409,000 (2020: \$84,831,000), net assets of \$41,430,000 (2020: \$39,743,000) and reported a profit for the year then ended of \$1,687,000 (2020: loss \$2,458,000). The directors have prepared the financial statements on a going concern basis which they consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of the ongoing impact of COVID-19 and a severe but plausible downside, the company will have sufficient funds, through its existing revolving credit facility and ongoing trading, to meet its liabilities as they fall due for that period.

In preparing these forecasts the directors have considered reasonably possible downside scenarios including factors resulting from the ongoing impact of COVID-19. Please refer to the Strategic Report on page 2 that references the going concern review undertaken by the board.

## Notes (continued)

### 1. Accounting policies (continued)

#### 1.4 Going concern (continued)

As at 31 December 2021 the company had drawn down USD \$55m of the USD \$80m revolving credit debt facility, in place through to October 2024. In addition to this, in December 2020, the Company obtained loan finance of \$5,238,000 from the Development Bank of Wales to provide liquidity during the COVID-19 crisis and to support the purchase of stock and assets. The loan was drawn down in one tranche in December 2020. The 3-year loan is subject to capital repayment holiday for the first 6 months, and then repayable in 30 monthly instalments. The repayments have been included in the forecast cashflows as described above in accordance with the terms.

Based on the forecasts prepared and assumptions described above, including reasonably possible downside scenarios, the Directors are confident that the Company will have sufficient funds and covenant headroom to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### 1.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Sale of goods:** Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Rendering of services:** Revenue from arrangements to provide services, including the continual access to serviceable parts, is recognised in the period in which the services are provided using the method that measures most reliably the work performed when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably; and
- it is probable that the Company will receive the consideration associated with the service.

#### 1.6 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

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.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

|                         |                       |
|-------------------------|-----------------------|
| Development expenditure | 5 years straight line |
| Trademarks              | 5 years straight line |

## Notes (continued)

## 1. Accounting policies (*continued*)

### 1.7 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.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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:

|                                 |   |              |
|---------------------------------|---|--------------|
| Long-term leasehold property    | - | 5 years      |
| Plant and machinery             | - | 3 - 4 years  |
| Fixtures and fittings           | - | 4 years      |
| Office equipment                | - | 4 years      |
| Warehouse and storage equipment | - | 4 years      |
| Capitalised inventory           | - | 4 – 12 years |

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.

### 1.8 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

## Notes (continued)

### 1. Accounting policies (continued)

#### 1.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

#### 1.10 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs.

The company is involved with purchasing aircraft or engines. The purchase price paid is specific to the aircraft or engine as a whole. The company may make sales of many components that are obtained from the aircraft or the engine. There is no purchase price allocated for the individual components.

In line with standard industry practice, for each sale of a component, an element of the aircraft purchase price and capitalised inventory cost is recognised in the Statement of comprehensive income as the cost of the goods sold. The cost of the goods sold is calculated based on the forecast margins achievable from the sale of all the components taken from the original engine or aircraft.

The carrying value of the inventory consists of the initial purchase price and capitalised inventory costs, less all amounts recognised in the Statement of comprehensive income through the above outlined costs of good sold calculations.

#### 1.11 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.

#### 1.12 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.

#### 1.13 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.

## Notes (continued)

### 1. Accounting policies (continued)

#### 1.13 Financial instruments (continued)

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.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the Statement of comprehensive income. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

#### 1.14 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.

#### 1.15 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 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'.

## Notes (continued)

### 1. Accounting policies (continued)

#### 1.16 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.

#### 1.17 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 1 January 2018 to continue to be charged over the period to the first market rent review rather than the term of the lease.

#### 1.18 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.

#### 1.19 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

#### 1.20 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

## Notes (continued)

### 1. Accounting policies (continued)

#### 1.21 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.

#### 1.22 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

#### 1.23 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

### 2. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in profit or loss, when, and if, better information is obtained.

## Notes (continued)

### 2. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Critical judgements that management have made in the process of applying accounting policies disclosed herein and that have a significant effect on the amounts recognised in the financial statements relate to the following:

#### *Inventory valuation*

Stock models are used to value the carrying value of stock as well as the cost of sale to be recognised in the Statement of comprehensive income. These include forecasted sales, forecasted costs and actual costs incurred to date. There is a detailed approval process for forecasted performance and estimates are updated regularly.

#### *Provision for doubtful debts*

Uninsured debts are regularly and carefully reviewed and a judgement made as to what level of provision is required against default. This will be based on age of debt, knowledge of customer and communications with the customer.

### 3. Turnover

The whole of the turnover is attributable to sales, repairs and leasing of airline components.

Analysis of by country of destination:

|                          | 2021<br>\$'000 | 2020<br>\$'000 |
|--------------------------|----------------|----------------|
| United Kingdom           | 12,193         | 14,449         |
| United States of America | 22,239         | 8,145          |
| Rest of the world        | 50,012         | 35,347         |
|                          | <u>84,444</u>  | <u>57,941</u>  |

### 4. Operating profit/(loss)

The operating profit/(loss) is stated after charging/(crediting):

|                                                           | 2021<br>\$'000 | 2020<br>\$'000 |
|-----------------------------------------------------------|----------------|----------------|
| Tangible fixed assets – depreciation                      | 2,800          | 2,805          |
| Intangible fixed assets – amortisation                    | -              | -              |
| Exchange differences                                      | (205)          | 71             |
| Income received from the Coronavirus Job Retention Scheme | -              | (533)          |
|                                                           | <u>-</u>       | <u>(533)</u>   |

## Notes (continued)

### 5. Auditor's remuneration

|                                                                                                                     | 2021<br>\$'000 | 2020<br>\$'000 |
|---------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements | 106            | 72             |
| <b>Fees payable to the company's auditor and its associates in respect of:</b>                                      |                |                |
| Taxation compliance services                                                                                        | 13             | 12             |
| Other non-audit fees                                                                                                | -              | -              |

### 6. Employees

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

|                                     | 2021<br>\$'000 | 2020<br>\$'000 |
|-------------------------------------|----------------|----------------|
| Wages and salaries                  | 7,184          | 7,122          |
| Social security costs               | 805            | 1,313          |
| Cost of defined contribution scheme | 327            | 385            |
|                                     | <b>8,316</b>   | <b>8,820</b>   |

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

|                | 2021<br>No. | 2020<br>No. |
|----------------|-------------|-------------|
| Operational    | 38          | 41          |
| Administration | 65          | 69          |
| Management     | 8           | 9           |
|                | <b>111</b>  | <b>118</b>  |

### 7. Directors' remuneration

|                                                               | 2021<br>\$'000 | 2020<br>\$'000 |
|---------------------------------------------------------------|----------------|----------------|
| Directors' emoluments                                         | 796            | 694            |
| Company contributions to defined contribution pension schemes | 114            | 113            |
|                                                               | <b>910</b>     | <b>807</b>     |

During the year retirement benefits were accruing to 1 director (2020: 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of \$ 555,183 (2020: \$565,128). The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to \$107,491 (2020: \$109,417).

## Notes (continued)

### 8. Interest payable and similar expenses

|                                            | 2021<br>\$'000 | 2020<br>\$'000 |
|--------------------------------------------|----------------|----------------|
| Bank interest payable                      | 2,781          | 2,703          |
| Finance leases and hire purchase contracts | 2              | 3              |
|                                            | <u>2,783</u>   | <u>2,706</u>   |

### 9. Taxation

|                                                | 2021<br>\$'000 | 2020<br>\$'000 |
|------------------------------------------------|----------------|----------------|
| <i>Current tax</i>                             |                |                |
| Current tax on profit/(loss) for the year      | 362            | (665)          |
| Adjustments in respect of prior periods        | (29)           | (195)          |
| Total current tax                              | <u>333</u>     | <u>(860)</u>   |
| <i>Deferred tax</i>                            |                |                |
| Origination and reversal of timing differences | 167            | 146            |
| Adjustments in respect of prior periods        | (1)            | 128            |
| Effect of tax rate change on opening balance   | 318            | 91             |
| Total deferred tax                             | <u>484</u>     | <u>365</u>     |
| Total tax                                      | <u>817</u>     | <u>(495)</u>   |

## Notes (continued)

### 9. Taxation (continued)

#### Reconciliation of effective tax rate

|                                                                | 2021<br>\$'000 | 2020<br>\$'000 |
|----------------------------------------------------------------|----------------|----------------|
| Profit/(Loss) for the year                                     | 1,687          | (2,458)        |
| Total tax expense/(credit)                                     | 817            | (495)          |
| Profit/(loss) excluding taxation                               | 2,504          | (2,953)        |
| Tax using the UK corporation tax rate of 19% (2020: 19%)       | 476            | (561)          |
| Effects of:                                                    |                |                |
| Non qualifying depreciation                                    | 8              | 7              |
| Expenses not deductible for tax purposes                       | 5              | 48             |
| Non-taxable income                                             | -              | (13)           |
| Remeasurement for changes in tax rate on deferred tax balances | 358            | 91             |
| Adjustment to tax charge in respect of prior periods           | (30)           | (67)           |
| Total tax expense/(credit) included in profit or loss          | 817            | (495)          |

#### Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2021) was substantively enacted on 6 September 2016. In the 11 March 2021 Budget, it was announced that the UK tax rate will remain at the 19% and not reduce to 17% from 1 April 2021.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax liability at 31 December 2021 has been calculated based on these rates, reflecting the expected timing of reversal of the related timing differences.

### 10. Exceptional items

|                          | 2021<br>\$'000 | 2020<br>\$'000 |
|--------------------------|----------------|----------------|
| Professional fees        | 92             | 704            |
| Staff costs - redundancy | -              | 136            |
|                          | 92             | 840            |

Professional fees mainly relate to the recruitment fee in relation to the appointment of the new CEO.

**Notes (continued)**

**11. Intangible assets**

|                            | Development<br>\$'000 | Trademarks<br>\$'000 | Total<br>\$'000 |
|----------------------------|-----------------------|----------------------|-----------------|
| <b>Cost</b>                |                       |                      |                 |
| At 1 January 2021          | 33                    | 5                    | 38              |
| Additions                  | -                     | -                    | -               |
|                            | <u>33</u>             | <u>5</u>             | <u>38</u>       |
| <b>At 31 December 2021</b> | <u>33</u>             | <u>5</u>             | <u>38</u>       |
| <b>Amortisation</b>        |                       |                      |                 |
| At 1 January 2021          | 33                    | 5                    | 38              |
| Charge for the year        | -                     | -                    | -               |
|                            | <u>33</u>             | <u>5</u>             | <u>38</u>       |
| <b>At 31 December 2021</b> | <u>33</u>             | <u>5</u>             | <u>38</u>       |
| <b>Net book value</b>      |                       |                      |                 |
| At 31 December 2021        | -                     | -                    | -               |
|                            | <u>-</u>              | <u>-</u>             | <u>-</u>        |
| <b>At 31 December 2020</b> | -                     | -                    | -               |
|                            | <u>-</u>              | <u>-</u>             | <u>-</u>        |

**Notes (continued)**

**12. Tangible fixed assets**

|                     | Long-term<br>leasehold<br>property<br>\$'000 | Plant and<br>machinery<br>\$'000 | Warehouse<br>and storage<br>equipment<br>\$'000 | Fixtures and<br>fittings<br>\$'000 | Office<br>equipment<br>\$'000 | Capitalised<br>inventory<br>\$'000 | Total<br>\$'000 |
|---------------------|----------------------------------------------|----------------------------------|-------------------------------------------------|------------------------------------|-------------------------------|------------------------------------|-----------------|
| Cost or valuation   |                                              |                                  |                                                 |                                    |                               |                                    |                 |
| At 1 January 2021   | 56                                           | 1,886                            | 707                                             | 1,383                              | 1,300                         | 23,964                             | 29,296          |
| Additions           | -                                            | 6                                | 248                                             | 52                                 | 56                            | 3,001                              | 3,363           |
| Disposals           | -                                            | (12)                             | -                                               | -                                  | -                             | (1,698)                            | (1,710)         |
| 31 December 2021    | 56                                           | 1,880                            | 955                                             | 1,435                              | 1,356                         | 25,267                             | 30,949          |
| Depreciation        |                                              |                                  |                                                 |                                    |                               |                                    |                 |
| At 1 January 2021   | 24                                           | 1,760                            | 649                                             | 1,257                              | 1,057                         | 6,654                              | 11,401          |
| Charge for the year | 13                                           | 103                              | 66                                              | 74                                 | 150                           | 2,394                              | 2,800           |
| Disposals           | -                                            | (12)                             | -                                               | -                                  | -                             | (337)                              | (349)           |
| 31 December 2021    | 37                                           | 1,851                            | 715                                             | 1,331                              | 1,207                         | 8,711                              | 13,852          |
| Net book value      |                                              |                                  |                                                 |                                    |                               |                                    |                 |
| At 31 December 2021 | 19                                           | 29                               | 240                                             | 104                                | 149                           | 16,556                             | 17,097          |
| At 31 December 2020 | 32                                           | 126                              | 58                                              | 126                                | 243                           | 17,310                             | 17,895          |

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

|                                   | 2021<br>\$'000 | 2020<br>\$'000 |
|-----------------------------------|----------------|----------------|
| Furniture, fittings and equipment | -              | 11             |
|                                   | -              | 11             |

## Notes (continued)

### 13. Fixed asset investments

|                     | Investments in<br>subsidiary<br>companies<br>\$'000 |
|---------------------|-----------------------------------------------------|
| Cost or valuation   |                                                     |
| At 1 January 2021   | 25                                                  |
| At 31 December 2021 | 25                                                  |
| Impairment          |                                                     |
| At 1 January 2021   | 25                                                  |
| At 31 December 2021 | 25                                                  |
| Net book value      |                                                     |
| At 31 December 2021 | -                                                   |
| At 31 December 2020 | -                                                   |

### 14. Stocks

|                                     | 2021<br>\$'000 | 2020<br>\$'000 |
|-------------------------------------|----------------|----------------|
| Finished goods and goods for resale | 79,627         | 77,723         |

### 15. Debtors

|                                    | 2021<br>\$'000 | 2020<br>\$'000 |
|------------------------------------|----------------|----------------|
| Trade debtors                      | 12,385         | 5,578          |
| Amounts owed by group undertakings | 2,090          | 2,090          |
| Prepayments and accrued income     | 5,522          | 4,993          |
|                                    | 19,997         | 12,661         |

**Notes (continued)**

**16. Cash and cash equivalents**

|                          | 2021<br>\$'000 | 2020<br>\$'000 |
|--------------------------|----------------|----------------|
| Cash at bank and in hand | 461            | 5,323          |
|                          | <u>461</u>     | <u>5,323</u>   |

**17. Creditors: Amounts falling due within one year**

|                                                             | 2021<br>\$'000 | 2020<br>\$'000 |
|-------------------------------------------------------------|----------------|----------------|
| Bank loans                                                  | 2,418          | 1,358          |
| Trade creditors                                             | 5,240          | 2,116          |
| Amounts owed to group undertakings                          | 1,510          | 1,510          |
| Corporation tax                                             | 301            | 51             |
| Other taxation and social security                          | 228            | 228            |
| Obligations under finance lease and hire purchase contracts | 16             | 42             |
| Other creditors                                             | 564            | 631            |
| Accruals and deferred income                                | 7,400          | 4,940          |
|                                                             | <u>17,677</u>  | <u>10,876</u>  |

Bank loans consist of \$2,418,365 (2020: \$1,222,000) being amounts falling due within one year in respect of a loan from the Development Bank of Wales and \$nil (2020: \$136,000) due under the group's senior revolving credit facility. See note 18 for details of repayment terms.

Amounts owed to group undertakings are repayable on demand and interest free.

**18. Creditors: Amounts falling due after more than one year**

|                                                              | 2021<br>\$'000 | 2020<br>\$'000 |
|--------------------------------------------------------------|----------------|----------------|
| Bank loans                                                   | 56,584         | 61,960         |
| Obligations under finance leases and hire purchase contracts | -              | 15             |
|                                                              | <u>56,584</u>  | <u>61,975</u>  |

Bank loans consist of \$2,047,551 (2020: \$4,016,000) being amounts falling after more than one year in respect of a loan from the Development Bank of Wales and \$54,536,769 (2020: \$57,944,000) due under the group's senior revolving credit facility.

The group's senior revolving credit facility is secured via a fixed and floating charge over assets of the group headed by Atlantic Offerco Limited. The facility is in place until October 2024 and interest is charged at 1-month USD Libor +350 Bps.

The loan from the Development Bank of Wales, obtained in December 2020, is secured against certain assets of the company and a second priority ranked fixed and floating charge over assets of the company, repayable over 36 months subject to a capital repayment holiday for the first six months and then repayable in 30 monthly instalments. Interest is charged at 5% per annum.

**Notes (continued)**

**19. Hire purchase and finance leases**

Minimum lease payments under hire purchase fall due as follows:

|                     | 2021<br>\$'000 | 2020<br>\$'000 |
|---------------------|----------------|----------------|
| Within one year     | 16             | 42             |
| Between 1 – 2 years | -              | 15             |
|                     | <u>16</u>      | <u>57</u>      |

**20. Interest-bearing loans and borrowings**

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

|                                                        | 2021<br>\$000 | 2020<br>\$000 |
|--------------------------------------------------------|---------------|---------------|
| <b>Creditors falling due more than one year</b>        |               |               |
| Revolving credit facility                              | 54,537        | 57,944        |
| Secured bank loan                                      | 2,047         | 4,016         |
| Finance lease liabilities                              | -             | 15            |
|                                                        | <u>56,584</u> | <u>61,975</u> |
| <b>Creditors falling due within less than one year</b> |               |               |
| Revolving credit facility                              | -             | 136           |
| Secured bank loan                                      | 2,418         | 1,222         |
| Finance lease liabilities                              | 16            | 42            |
|                                                        | <u>2,434</u>  | <u>1,400</u>  |

Secured bank loans consist of \$4,465,916 (2020: \$5,238,000) amounts in respect of a loan from the Development Bank of Wales. The loan, obtained in December 2020, is repayable over 36 months subject to a capital repayment holiday for the first six months and then repayable in 30 monthly instalments. Interest is charged at 5% per annum.

Amounts of \$54,536,769 (2020: \$58,080,000) due under the group's senior revolving credit facility are secured via a fixed and floating charge over all assets of the group headed by Atlantic Offerco Limited. The facility is in place until October 2024 and interest is charged at 1-month USD Libor +350 Bps.

**Terms and debt repayment schedule**

|                           | Currency | nominal<br>interest<br>rate | Year of<br>maturity | Repayment<br>schedule | 2021<br>\$000 | 2020<br>\$000 |
|---------------------------|----------|-----------------------------|---------------------|-----------------------|---------------|---------------|
| Revolving credit facility | USD(\$)  | Variable                    | 2024                | Variable              | 54,537        | 58,080        |
| Secured bank loan         | GBP(£)   | 5%                          | 2023                | Monthly               | 4,466         | 5,238         |
| Finance lease liabilities | GBP(£)   | Variable                    | 2022                | Monthly               | 16            | 57            |
|                           |          |                             |                     |                       | <u>59,019</u> | <u>63,375</u> |

**Notes (continued)**

**21. Deferred taxation**

|                           | 2021<br>\$'000 | 2020<br>\$'000 |
|---------------------------|----------------|----------------|
| At beginning of year      | (1,008)        | (643)          |
| Charged to profit or loss | (484)          | (365)          |
| <b>At the end of year</b> | <b>(1,492)</b> | <b>(1,008)</b> |

The provision for deferred taxation is made up as follows:

|                                | 2021<br>\$'000 | 2020<br>\$'000 |
|--------------------------------|----------------|----------------|
| Accelerated capital allowances | (1,492)        | (1,013)        |
| Short term timing differences  | -              | 5              |
| <b>At the end of year</b>      | <b>(1,492)</b> | <b>(1,008)</b> |

**22. Share capital**

|                                                    | 2021<br>\$ | 2020<br>\$ |
|----------------------------------------------------|------------|------------|
| <b>Allotted, called up and fully paid</b>          |            |            |
| 115,741 (2020: 115,741) Ordinary shares of £1 each | 183,984    | 183,984    |

There is a single class of ordinary share. There are no restrictions on dividends and the repayment of capital.

**23. Reserves**

**Profit and loss account**

Includes all current and prior period retained profits and losses.

## Notes (continued)

### 24. Commitments under operating leases

At 31 December 2021 the company had future minimum lease payments under non-cancellable operating leases as follows:

|                                              | 2021<br>\$'000 | 2020<br>\$'000 |
|----------------------------------------------|----------------|----------------|
| Not later than 1 year                        | 821            | 648            |
| Later than 1 year and not later than 5 years | 2,873          | 3,113          |
| Later than 5 years                           | 1,852          | 2,486          |
|                                              | <u>5,546</u>   | <u>6,247</u>   |

### 26. Related party transactions

During the year, the company made purchases of \$10,360 (2020: \$181,970) from CataCap Management NS. CataCap Management NS, an entity incorporated in Denmark, is the ultimate controlling party. The company also made a purchase of \$nil (2020: \$1,650,000) from REDI 216 Limited, an entity incorporated in England and Wales, AerFin Director Robert James is the ultimate controlling party.

At the year-end, the company owed R James, a director and shareholder, \$nil (2020: \$nil).

The group has taken the exemption permitted by Financial Reporting standard 102 section 33 not to disclose any related party transactions with any companies in the group headed by Atlantic Holdco Limited, on the basis that they are a wholly owned group and consolidated accounts are publicly available.

### 27. Controlling party

The immediate parent company by virtue of its 100% shareholding in the Company is AerFin Holdings Limited, registered in the United Kingdom. The ultimate parent company and controlling party is considered to be CataCap Management A/S.

Atlantic Holdco Limited is the smallest and only group (the "Group") for which consolidated financial statements are drawn up of which the company is a member. Accounts are available at Unit D Greenway, Bedwas House Industrial Estate, Bedwas, Caerphilly, Mid Glamorgan, CF83 8DW.