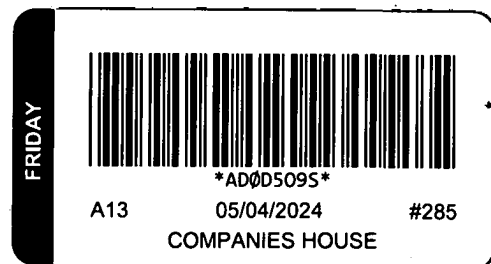


AerFin Limited

Annual report and financial statements

Registered number 07371844

31 December 2023



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Company information

Directors

S Goodson
R J James
V Hahn-Petersen
A Hoad
M J Humphreys
L W Mollan
P Ryttergaard
F Scott

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

2023 was a year of significant growth for AerFin, building on the successful recovery from the global pandemic in 2022. AerFin's change in organisational design during 2022 provided the springboard for this 2023 growth as we expanded our global reach and customer base. We have pleasure in sharing AerFin's 2023 financial results that demonstrate the strength of the business that is seeing the demand for products and services grow significantly across almost all product lines and service offerings.

Eurocontrol, the body responsible for European air traffic management, charted average European air traffic levels at ~92% of pre-pandemic (2019) levels in 2023, which represents a 10% increase on 2022 levels. The USA saw a slightly quicker recovery over the same period with the Transportation Security Administration ("TSA") recording average passenger checkpoint activity for 2023 at 102% of 2019 levels, representing a 13% increase on 2022 levels. China has seen a significant recovery in 2023, due to significant travel restrictions still being in place until Q4 2022. Travel volumes in Q3 2023 were 1.9 times greater than the same period in 2022 and total passengers were 2.6% above the same period in 2019.

AerFin's 2023 financial performance saw growth levels that were significantly above that seen in the wider market.

Revenue of \$213.7m was up \$98.4m (85%) from 2022 (\$115.3m for the 12-month period ended 31 December 2022). This represents 170% of 2019 levels (\$125.6m) with significant growth in our three regions of Americas, EMEA and Asia Pacific. Customer demand for used serviceable material increased everywhere as a result of increased flying hours driving maintenance activity that could not rely as much on the supply of new parts due to the significant supply chain challenges of the Original Equipment Manufacturers ("OEMs"). These OEM challenges also had an adverse effect on the delivery of new aircraft, most notably the Boeing 737 Max and Airbus A320neo. Airline customers mitigated the resulting delivery delays by extending the operation of mature aircraft that further drove demand for used serviceable material consumption.

The extended operation of mature aircraft also had a significant impact on the availability of mature aircraft and engines to provide the feedstock pipeline of used serviceable material. It was therefore pleasing that, in this constrained market, AerFin was able to secure a record level of aircraft and engine acquisitions during 2023 that provides an excellent foundation for further growth in 2024 and beyond.

Good control over operating costs was maintained with EBITDA (operating profit adding back depreciation, amortisation and exceptional administrative expenses) of \$29.9m, up 132% from 2022 (\$12.9m for the 12-month period ended 31 December 2022).

The record level of acquisitions during 2023 resulted in an inventory portfolio of \$129.5m as we head into 2024. This portfolio is predominantly made up of parts from relatively young-vintage narrow body and regional jet aircraft and engines that we expect to continue to lead the growth in air traffic.

The growth in inventory was underpinned by increased levels of funding secured during 2023: we issued €20.0m of preference shares that allowed us to maximise the \$20.0m increase to the revolving credit facility that was agreed in December 2022.

Inventory increased by \$37.4m in 2023 funded by operational cash, increased borrowings and the preference share issuance. Third party borrowings increased by \$23.3m in order to facilitate the increase in inventory, despite paying back the Development Bank of Wales loan. The encouraging results leave AerFin well poised heading into 2024 with a strong portfolio of attractive and liquid inventory to take advantage of market conditions that will bring fresh opportunities.

Proactive debtor management during 2023 resulted in the bad debt provision being 0.1% of sales in the year.

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 portfolio of trading assets and component/piece part inventory. The directors have an established and successful track record of operating in this sector and managing the risks outlined below 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 spare parts demand;
- New equipment manufacture/aircraft retirement cycle: both market-leading aircraft manufacturers (Boeing and Airbus) boast strong 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;

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

- **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 Term SOFR loans. The business can be impacted by changes in 1-month USD Term SOFR rates;
- **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:

In addition to the CEO, a team of seven independent non-executive directors 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 shareholders. 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:

We further refined our 5 Year Plan during 2023 in order to define the way ahead. Teams across the business conducted in-depth reviews of key areas of strategic focus and developed blueprints for our commercial, operational and people strategies.

The review looked at AerFin's existing core skills and competencies, our 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)

Management Incentivisation:

Attracting, retaining and incentivising key managers within the business is considered key to underpinning the growth of enterprise value. The Management Investment and Incentivisation Programme was rolled out in March 2020 to provide managers the opportunity to purchase shares in the business. There was a second wave of managers offered in 2023, with a subscription date in early 2024.

Learning & Development of all employees remains a key focus. 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, safety and quality are considered of primary importance throughout the organisation.

The business maintains EASA, CAA and FAA Part 145 regulatory approvals, along with AS9120 and AS9100 quality 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 2023, the group's financial arrangements consisted of a revolving credit facility of USD \$100m in place through to October 2024. At the Balance Sheet date, the extension to the revolving credit facility had been finalised and the final documentation was signed in February 2024, to extend the term of the revolving credit facility for 3 years to February 2027, with the option of a further two years on request. During 2023, the company's parent entity, Atlantic Holdco Limited, issued EUR €20m of preference shares to take advantage of favourable trading conditions. 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.

As detailed earlier in the business review, the demand for air has increased through 2023, in line with industry projections that expected air traffic figures to fully recover to 2019 levels between 2023 and 2025 and we are seeing this difference, with North America already above 2019 levels whilst Europe and Asia Pacific are slightly below but expected to grow to be above in 2024 or 2025.

The business has managed to grow revenues across all regions, due to a strong committed forward order book, embedded relationships with creditworthy customers and wide global reach allowing expansion of trade.

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 renew 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 period of significant growth and investment in inventory.

AerFin has created a flexible model to assess performance under a range of scenarios. Under the most adverse set of foreseeable circumstances (using 2023 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.

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 continued growth of the business 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:

- Adopted hybrid working following return-to-work guidance from the Government
- Revisited the layout of storage facility to heat and light only where needed.
- Joined the UN Global Compact initiative
- 4.8 of general waste was diverted from landfill and 1.1t was recycled, saving 1.1t of CO2e

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

- Revisit energy providers and use green energy where possible
- ESOS work undertaken for Gatwick facility on improvements to energy efficient lighting
- Electric charge points installed at Gatwick and Bedwas facilities
- Expansion of Miami facility to reduce shipping requirements to UK, will finalise in 2024
- Committed to a brand new unit for headquarters in 2024 with an EPC rating of A+ GHG.
- Cycle to work scheme
- 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 2023:

	2023	2022	2021	2020
UK energy use (kWh) - see (1)	1,731,489	1,702,459	1,555,035	1,443,120
Associated Greenhouse gas emissions (tonnes CO2 equivalent) - see (2)	374	344	306	285
Intensity Ratio: Emissions (Tonnes) per square ft of floor space	0.003	0.003	0.002	0.003

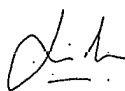
(1) UK energy use covers electricity, gas and transport as follows:

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

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).

On behalf the board and the co-investors I would like to thank the team at AerFin for their efforts through 2023 in achieving these pleasing results.

By order of the board


S Goodson
Director

22 February 2024

Directors' report

The directors present their report and the financial statements for the year ended 31 December 2023.

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 \$11,029,000 (2022: \$2,690,000).

No dividends have been paid in the year (2022: £Nil).

Directors

The directors who served during the year were:

RJ James
P Ryttergaard
V Hahn-Petersen
A Hoad
M J Humphreys
LW Mollan
S Goodson
F Scott

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'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'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



S Goodson
Director

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

22 February 2024

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 group and parent company 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 group and parent company 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 group and parent company and of the group's profit or loss for that period. In preparing each of the group and parent company 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 group and parent 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 group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group 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 2023 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 2023 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; and
- Considering remuneration incentive schemes and performance targets; and
- Using analytical procedures to identify any unusual 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 management may be in a position to make inappropriate accounting entries; and
- the risk that revenue is recorded in the wrong period or is fictitiously recorded.

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 performed procedures including:

- Year-end cut-off and post year-end credit note testing to assess whether revenue has been recognised in the correct financial year.
- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual account combinations.

Identifying and responding to risks of material misstatement relating to 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 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.

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

Identifying and responding to risks of material misstatement relating to compliance with laws and regulations (continued)

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 license to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and complying with aviation industry standards.

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.

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.

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

Directors' responsibilities

As explained more fully in their statement set out on page 9, 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.

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.

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

23 February 2024

Statement of Comprehensive Income
for the year ended 31 December 2023

	<i>Note</i>	2023 \$'000	2022 \$'000
Turnover	3	213,673	115,271
Cost of sales		(158,941)	(86,417)
Gross profit		<u>54,732</u>	<u>28,854</u>
Administrative expenses		(28,002)	(19,654)
Exceptional administrative expenses	10	(1,533)	(2,539)
Operating profit	4	<u>25,197</u>	<u>6,661</u>
Interest payable and expenses	8	(9,432)	(3,788)
Profit before taxation		<u>15,765</u>	<u>2,873</u>
Tax on profit	9	(4,736)	(183)
Profit for the financial year		<u>11,029</u>	<u>2,690</u>
Total comprehensive income for the year		<u><u>11,029</u></u>	<u><u>2,690</u></u>

There were no recognised gains and losses for 2023 or 2022 other than those included in the statement of comprehensive income.

The notes form an integral part of these financial statements.

Statement of Financial Position
at 31 December 2023

	Note	2023	2022
		\$'000	\$'000
Fixed assets			
Intangible assets	11	125	30
Tangible assets	12	17,070	16,920
		<u>17,195</u>	<u>16,950</u>
Current assets			
Stocks	14	129,491	92,095
Debtors (<i>including \$2,140,000 (2022: \$2,140,000) due after more than one year</i>)	15	51,661	26,925
Cash at bank and in hand	16	781	454
		<u>181,933</u>	<u>119,474</u>
Creditors: amounts falling due within one year	17	(141,981)	(22,083)
Net current assets		<u>39,952</u>	<u>97,391</u>
Total assets less current liabilities		<u>57,147</u>	<u>114,341</u>
Creditors: amounts falling due after more than one year	18	-	(68,017)
Provisions for liabilities			
Deferred taxation	21	(1,998)	(2,204)
Net assets		<u>55,149</u>	<u>44,120</u>
Capital and reserves			
Called up share capital	22	184	184
Profit and loss account	23	54,965	43,936
Shareholder's funds		<u>55,149</u>	<u>44,120</u>

These financial statements were approved by the board of Directors on 22 February 2024 and were signed on its behalf by:



S Goodson
Director

The notes are an integral part of these financial statements

Company registered number: 07371844

Statement of Changes in Equity
for the year ended 31 December 2023

	Called up share capital \$'000	Profit and loss account \$'000	Total equity \$'000
Balance at 1 January 2022	184	41,246	41,430
Comprehensive income for the year:			
Profit for the year	-	2,690	2,690
Total comprehensive income for the year	-	2,690	2,690
At 31 December 2022	184	43,936	44,120
Balance at 1 January 2023	184	43,936	44,120
Comprehensive income for the year:			
Profit for the year	-	11,029	11,029
Total comprehensive income for the financial year	-	11,029	11,029
At 31 December 2023	184	54,965	55,149

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 2022 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 parent undertaking and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006. These financial statements present information about the Company as an individual and not about its group.

1.4 Going concern

As at 31 December 2023, the company had net current assets of \$39,952,000 (2022: \$97,391,000), net assets of \$55,149,000 (2022: \$44,120,000) and reported a profit for the year then ended of \$11,029,000 (2022: \$2,690,000). 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 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.

As at 31 December 2023, the group's financial arrangements consisted of a revolving credit facility of USD \$100m in place through to October 2024. At the Balance Sheet date, there were ongoing negotiations that subsequently concluded in February 2024, to extend the term of the revolving credit facility for 3 years to February 2027, with the option of a further two years on request. During 2023, the company's parent entity, Atlantic Holdco Limited, issued EUR €20m of preference shares to take advantage of favourable trading conditions. 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 company continues to adopt the going concern basis in preparing its financial statements.

Notes (continued)

1. Accounting policies (continued)

1.4 Going concern (continued)

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;
- it is probable that the Company will receive the consideration associated with the service.

Significant revenue streams and how they are recognised by the company include:

- Piece part** – individual parts derived from the tear down of an aircraft or engine are sold on to customers. The revenue is generally recognised at the point at which the part is despatched as this is when the significant risks and rewards of ownership are transferred.
- Whole assets** – for aircraft or engines sold on as whole assets, revenue is recognised at the point the asset title, and therefore ownership, transfers to the customer typically when a bill of sale is issued.
- Contract revenue** – for support and service contracts revenue is recognised over the duration of the contract based on a predetermined variable such as flight hour or per aircraft landing. Contracts provide for the supply, repair, and overhaul of components as required over the period of the contract. For certain repairs a replacement part, held in fixed assets, is lent to the customer, and swapped back upon completion.
- Repair exchange** – replacement parts are provided to customers when a component repair is needed. The customer keeps this replacement part, and the company will either keep and repair the customer part or charge an additional fee if the part is beyond repair. Revenue is recognised at the point at which the repair is agreed as risks and rewards of ownership have transferred to the customer.
- Consignment revenue** – revenue is earned from providing a service to a customer involving the tear down, repair and sale of parts. In such an arrangement, AerFin do not own the inventory and revenue is recognised at the point of the sale of the consignment stock.
- Repair management** - where the company manages a repair on behalf of a customer revenue is recognised when the repair is completed.

Notes (continued)

1. Accounting policies (continued)

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

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	-	10 – 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 goods 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 a market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a 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 least 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

The company classifies certain one-off charges or credits that have an impact on the financial results as "exceptional items" being 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

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions that are not readily apparent from other sources. These estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical accounting judgements in applying the Company's accounting policies:

In the course of preparing the financial statements, no judgements have been made in the process of applying the Company's accounting policies, other than those involving estimations (which are dealt with separately below), that have had a significant effect on the amounts recognised in the financial statements.

Notes (continued)

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

Source of estimation uncertainty and judgements involving estimations:

The Company does not have any key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Notwithstanding this, as a significant portion of the Company's activities relate to long term engine and aircraft teardown projects; the Company is required to make estimates in accounting for the cost of sale. This is determined by estimating the expected costs and sales values to derive an expected margin for each project. There is a detailed approval process for forecasted performance and estimates are updated regularly. These estimates may depend upon the outcome of future events and may need to be revised as circumstances change. Further detail is provided in the respective accounting policies.

3. Turnover

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

Analysis of by country of destination:

	2023 \$'000	2022 \$'000
United Kingdom	24,664	17,006
United States of America	66,916	39,630
Rest of the world	122,093	58,635
	<u>213,673</u>	<u>115,271</u>

4. Operating profit

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

	2023 \$'000	2022 \$'000
Tangible fixed assets – depreciation	3,187	2,863
Intangible fixed assets – amortisation	13	5
Exchange differences	358	281
	<u>3,558</u>	<u>3,149</u>

Notes (continued)

5. Auditor's remuneration

	2023 \$'000	2022 \$'000
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	131	117
<i>Fees payable to the company's auditor and its associates in respect of:</i>		
Taxation compliance services	11	26

6. Staff numbers and costs

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

	2023 \$'000	2022 \$'000
Wages and salaries	14,959	7,788
Social security costs	1,308	959
Cost of defined contribution scheme	431	248
	16,698	8,995

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

	2023 No.	2022 No.
Operational	45	46
Administration	108	70
Management	7	7
	160	123

7. Directors' remuneration

	2023 \$'000	2022 \$'000
Directors' emoluments	893	577
Company contributions to defined contribution pension schemes	20	17
	913	594

During the year retirement benefits were accruing to 1 director (2022: 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of \$689,432 (2022: \$385,680). The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to \$14,541 (2022: \$12,441).

Notes (continued)

8. Interest payable and similar expenses

	2023 \$'000	2022 \$'000
Interest payable on bank facilities	8,106	3,788
Finance leases and hire purchase contracts	-	-
Other interest payable on amounts due to group undertakings	<u>1,326</u>	<u>-</u>
	<u>9,432</u>	<u>3,788</u>

9. Taxation

	2023 \$'000	2022 \$'000
<i>Current tax</i>		
Current tax on profit/ for the year	4,051	209
Adjustments in respect of prior periods	<u>891</u>	<u>(738)</u>
Total current tax	<u>4,942</u>	<u>(529)</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	298	323
Adjustments in respect of prior periods	(504)	389
Effect of tax rate change on opening balance	<u>-</u>	<u>0</u>
Total deferred tax	<u>(206)</u>	<u>712</u>
Total tax	<u>4,736</u>	<u>183</u>

Notes (continued)

9. Taxation (continued)

Reconciliation of effective tax rate

	2023 \$'000	2022 \$'000
Profit for the year	11,029	2,690
Total tax expense	4,736	183
	<u>15,765</u>	<u>2,873</u>
Profit excluding taxation	15,765	2,873
Tax using the UK corporation tax rate of 23.52% (2022: 19%)	3,708	546
Effects of:		
Fixed asset differences	43	(106)
Expenses not deductible for tax purposes	580	15
Remeasurement for changes in tax rate on deferred tax balances	18	77
Adjustment in respect of prior periods – current tax	891	(738)
Adjustment in respect of prior period – deferred tax	(504)	389
	<u>4,736</u>	<u>183</u>
Total tax expense included in profit or loss	4,736	183

Factors that may affect future tax charges

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 2023 has been calculated based on these rates, reflecting the expected timing of reversal of the related timing differences.

10. Exceptional items

	2023 \$'000	2022 \$'000
Professional fees	1,355	366
Bad debt relating to Russia/Ukraine crisis	-	2,173
Roof repairs	178	-
	<u>1,533</u>	<u>2,539</u>

Exceptional items are disclosed separately due to their size or incidence to provide further understanding of the financial performance of the company. Professional fees relate to due diligence costs in the respect of a potential acquisition that will not go ahead and fees relating to raising of finance and renewal of the group's existing facilities.

Notes *(continued)*

11. Intangible assets

	Development \$'000	Trademarks \$'000	Total \$'000
Cost			
At 1 January 2023	68	5	73
Additions	108	-	108
At 31 December 2023	176	5	181
Amortisation			
At 1 January 2023	38	5	43
Charge for the year	13	-	13
At 31 December 2023	51	5	56
Net book value			
At 31 December 2023	125	-	125
At 31 December 2022	30	-	30

Notes (continued)

12. Tangible fixed assets

	Long-term leasehold property \$'000	Plant and machinery \$'000	Warehouse and storage equipment \$'000	Fixtures and fittings \$'000	Office equipment \$'000	Capitalised inventory \$'000	Total \$'000
Cost or valuation							
At 1 January 2023	56	2,206	1,029	1,505	1,794	25,899	32,489
Additions	-	973	116	167	213	3,218	4,687
Disposals	-	-	-	-	-	(1,830)	(1,830)
31 December 2023	56	3,179	1,145	1,672	2,007	27,287	35,346
Depreciation							
At 1 January 2023	50	1,891	807	1,397	1,350	10,074	15,569
Charge for the year	6	242	105	46	188	2,600	3,187
Disposals	-	-	-	-	-	(480)	(480)
31 December 2023	56	2,133	912	1,443	1,538	12,194	18,276
Net book value							
At 31 December 2023	-	1,046	233	229	469	15,093	17,070
At 31 December 2022	6	315	222	108	444	15,825	16,920

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

	2023 \$'000	2022 \$'000
Furniture, fittings and equipment	-	-

Notes (continued)

13. Fixed asset investments

	Investments in subsidiary companies \$'000
Cost or valuation	
At 1 January 2023	25
At 31 December 2023	25
Impairment	
At 1 January 2023	25
At 31 December 2023	25
Net book value	
At 31 December 2023	-
At 31 December 2022	-

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Registered office	Principal activity	Class of shares	Holding
AerFin US LLC	U.S.A:	Marketing of airline components.	Ordinary	(Indirectly 100%)

The registered office for AerFin US LLC is 2125 Biscayne Blvd., Miami, Florida 33137, U.S.A..

14. Stocks

	2023 \$'000	2022 \$'000
Finished goods and goods for resale	129,491	92,095

15. Debtors

	2023 \$'000	2022 \$'000
Trade debtors	40,840	18,234
Amounts owed by group undertakings	2,140	2,140
Prepayments and accrued income	8,681	6,551
	51,661	26,925

Amounts owed by group undertakings to the company, are repayable on demand but are expected to be recovered in more than 12 months.

Notes (continued)

16. Cash and cash equivalents

	2023 \$'000	2022 \$'000
Cash at bank and in hand	781	454
	<u>781</u>	<u>454</u>

17. Creditors: Amounts falling due within one year

	2023 \$'000	2022 \$'000
Bank loans	93,385	2,067
Trade creditors	6,183	5,575
Amounts owed to group undertakings	25,046	1,610
Corporation tax	3,121	161
Other taxation and social security	214	304
Obligations under finance lease and hire purchase contracts	-	2
Other creditors	1,062	907
Accruals and deferred income	12,970	11,457
	<u>141,981</u>	<u>22,083</u>

Bank loans consist of \$93,385,265 (2022: \$2,066,863) being amounts falling due within one year in respect of the groups senior revolving credit facility, due in October 2024. A 3-year extension to the facility was signed in February 2024, with the option to extend 1 plus 1 years. The group's senior revolving credit facility is secured via a fixed and floating charge over assets of the group headed at Atlantic Offerco Limited, and interest is charged at 1-month USD Term SOFR +350 Bps.

Amounts owed to group undertakings are repayable on demand. Included within amounts owed to group undertakings is \$23,435,677 (2022: \$nil), being funding provided to the company by Atlantic Holdco Limited related to its issue of preference shares in the year. This amount accrues interest annually of 14%.

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

	2023 \$'000	2022 \$'000
Bank loans	-	68,017
Obligations under finance leases and hire purchase contracts	-	-
	<u>-</u>	<u>68,017</u>

Bank loans consist of \$nil (2022: \$61,243) being amounts falling after more than one year in respect of a loan from the Development Bank of Wales and \$nil (2022: \$67,955,805) due under the group's senior revolving credit facility.

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. This loan was repaid in full in September 2023.

Notes (continued)

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2023 \$'000	2022 \$'000
Within one year	-	2
Between 1 – 2 years	-	-
	<u>-</u>	<u>2</u>
	<u>-</u>	<u>2</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.

	2023 \$000	2022 \$000
Creditors falling due more than one year		
Revolving credit facility	-	67,956
Secured bank loan	-	61
Finance lease liabilities	-	-
	<u>-</u>	<u>68,017</u>
	<u>-</u>	<u>68,017</u>
Creditors falling due within less than one year		
Revolving credit facility	93,385	-
Secured bank loan	-	2,067
Amounts owed to group undertakings	23,436	-
Finance lease liabilities	-	2
	<u>116,821</u>	<u>2,069</u>
	<u>116,821</u>	<u>2,069</u>

Secured bank loans consist of *\$nil* (2022: \$2,128,107) amounts in respect of a loan from the Development Bank of Wales. The loan was fully repaid in September 2023.

Amounts owed to group undertakings of \$23,435,677 (2022: \$Nil) is in respect of amounts received from Atlantic Holdco Limited, obtained in July 2023, is repayable on demand, when majority shareholders CataCap Investment A/S sell their shares. Interest is charged at 14% per annum.

Amounts of \$93,385,265 (2022: \$67,955,805) 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 Term SOFR +350 Bps.

Terms and debt repayment schedule

	Currency	Nominal Interest rate	Year of maturity	Repayment schedule	2023 \$000	2022 \$000
Revolving credit facility	USD(\$)	Variable	2024	Variable	93,385	67,956
Secured bank loan	GBP(£)	5%	2023	Monthly	-	2,128
Amounts owed to group undertakings	EUR(€)	14%	N/A	N/A	23,436	-
Finance lease liabilities	GBP(£)	Variable	2023	Monthly	-	2
					<u>116,821</u>	<u>70,086</u>

Notes (continued)

21. Deferred taxation

	2023 \$'000	2022 \$'000
At beginning of year	(2,204)	(1,492)
Charged to profit or loss	206	(712)
	<u>(1,998)</u>	<u>(2,204)</u>
At the end of year	(1,998)	(2,204)

The provision for deferred taxation is made up as follows:

	2023 \$'000	2022 \$'000
Accelerated capital allowances	(2,009)	(2,204)
Short term timing differences	11	-
	<u>(1,998)</u>	<u>(2,204)</u>
At the end of year	(1,998)	(2,204)

22. Share capital

	2023 \$	2022 \$
Allotted, called up and fully paid		
115,741 (2022: 115,741) Ordinary shares of £1 each	<u>183,984</u>	<u>183,984</u>

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 2023 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2023 \$'000	2022 \$'000
Less than one year	984	828
Between one and five years	3,134	2,728
More than five years	869	1,267
	<u>4,987</u>	<u>4,823</u>

During the year \$841,000 (2022: \$820,000) was recognised as an expense to the profit and loss account in respect of operating leases. The operating lease for the Bedwas Facility will continue into 2025. Agreement for a new operating lease is due to be signed in February 2024 related to a new facility at St Modwen Park, Newport, which will replace the Bedwas Facility.

25. Related party transactions

During the year, the company made purchases of \$18,071 (2022: \$14,020) from CataCap Management NS. CataCap Management NS, an entity incorporated in Denmark, is the ultimate controlling party. During the year, the company made sales of \$30,000 (2022: \$27,000) to and made purchases of \$nil (2022: \$1,324) from TP Aerospace, an entity incorporated in Denmark, whose ultimate controlling party is CataCap Management NS.

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.

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the year amounted to \$2,941,000 (2022: \$1,969,000).

26. 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 II K/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.

27. Post Balance Sheet Events

After the Balance Sheet date, the Group renewed and extended the \$100m Revolving Credit Facility extended for a further three years to be in place until February 2027 with the option to extend for a further two years upon request until February 2029.