

Company registration number 01129495 (England and Wales)

AEROTRON LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

AEROTRON LIMITED

COMPANY INFORMATION

Directors A M Westley - Chairman
 J Westley
 M P Westley - Managing Director
 N A Westley
 K Goodall
 G W Mashlan
 R J Wilson

Secretary J Westley

Company number 01129495

Registered office Westley House
 Fleming Way
 Jenner Road
 Crawley
 West Sussex
 RH10 9GA

Auditor Gravita Audit II Limited
 66 Prescott Street
 London
 E1 8NN

AEROTRON LIMITED

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AEROTRON LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

Fair review of the business

Results of the business

The directors consider the key performance indicators to be turnover and gross profit. Turnover has increased from the 2021 of £32.9m to £53.8m in 2022. The gross profit margin increased from 15.4% 2021 to 22.3% in 2022.

Position of the business

The company retains a strong cash position at the year end of £70.4m which is substantial. The company retains its cash reserves to offset the continuing conditions in the aviation sector and to enable it to further develop its operations.

Principal risks and uncertainties

Currency risk

The company's trading activities expose it to the risk of adverse fluctuations in foreign exchange rates, primarily in US dollars. The company does not use financial instruments to manage this risk but instead seeks to match foreign currency transactions and cash flows.

Credit and liquidity risk

Working capital is monitored and managed to ensure that cash receivable from debtors is available in a timely manner that allows credit obligations to be met.

Successful management of liquidity has meant that the company currently carries no overdraft or bank loans on its balance sheet.

Key performance indicators

The board monitors the progress of the company by reference to the following KPIs:

Turnover

Gross profit

Overheads

Debtors

See the fair review of the business section for consideration of this year's performance.

Other performance indicators

Turnover per employee is £979,038 for 2022 (2021 : £586,807) and reflects the continued improvement as the aviation sector recovered from the Covid19 pandemic.

Other information and explanations

The company had exchange gains of £6,790,455 this year, which is higher than usual. Much of this was due to the unrealised gain on the translation of foreign currency bank balances at the year-end. Towards the end of 2022, the UK economy saw a record fall of Sterling against the US Dollar and this explains the large gain on the substantial foreign currency balances at the year-end. It is expected that much of this will reverse out in the 2023 accounts as the value of Sterling recovers.

In 2023 the directors plan further organic growth making use of the strong liquid position of the company.

AEROTRON LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Promoting the success of the company

Under s172 of the Companies Act 2006 directors of UK companies have a duty to promote the success of their company for the benefit of the members as a whole and, in doing so, have regard to:

- The likely consequences of any decision in the long term;
- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and the environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the company.

To discharge their Section 172 duties, the Directors of Aerotron Limited had regard to the factors set out above in making the principal decisions taken by the company.

The company's key stakeholder is its immediate parent, Total Aircraft Product Support (Holdings) Limited (TAPS). The company's Directors believe that, individually and together, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1) (a-f) of the Companies Act 2006 in the decisions taken during the year ended 31 December 2022.

From the perspective of the company's Directors, as a result of the TAPS group governance structure, the TAPS board of directors have taken the lead in carrying out the duties of a board in respect of the company's other stakeholders. The company's Directors have also considered relevant matters where appropriate to the company.

Culture is a combination of the values, attitudes and behaviours demonstrated by the company in its activities and relations with stakeholders. The company embodies and demonstrates the desired culture of the TAPS group to maintain a reputation for high standards of business conduct.

On behalf of the board

M P Westley - Managing Director
Director

29 December 2023

AEROTRON LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and financial statements for the year ended 31 December 2022.

The review of the business is discussed in the strategic report.

Principal activities

The principal activity of the company continued to be that of supply of aircraft spares.

Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £2,000,000. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A M Westley - Chairman
J Westley
M P Westley - Managing Director
N A Westley
K Goodall
G W Mashlan
R J Wilson

Auditor

Gravita Audit II Limited were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Energy and carbon report

The directors present their report on energy and carbon for the year ended 31 December 2022:

	2022
	kWh
<i>Energy consumption</i>	
Aggregate of energy consumption in the year	
- Gas combustion	95,459
- Electricity purchased	465,540
	<hr/>
	560,999
	<hr/> <hr/>

AEROTRON LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 metric tonnes
<i>Emissions of CO2 equivalent</i>	
Scope 1 - direct emissions	
- Gas combustion	17,600.00
	<hr/>
	17,600.00
Scope 2 - indirect emissions	
- Electricity purchased	106,400.00
	<hr/>
Total gross emissions	124,000.00
	<hr/> <hr/>
<i>Intensity ratio</i>	
Tonnes CO2e per full-time employee	2,296
	<hr/> <hr/>

Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2021 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per employee.

Measures taken to improve energy efficiency

The company has spent in excess of £150,000 on solar panels to generate as much power as we can, and we are intending to increase that capacity. We have installed light sensors throughout the building to ensure that lights are only activated by movement.

Statement of directors' responsibilities

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

AEROTRON LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

M P Westley - Managing Director
Director

29 December 2023

AEROTRON LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AEROTRON LIMITED

Opinion

We have audited the financial statements of Aerotron Limited (the 'company') for the year ended 31 December 2022 which comprise the statement of income and retained earnings, the balance sheet, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

AEROTRON LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AEROTRON LIMITED

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations. The laws and regulations applicable to the company were identified through discussions with directors and other management, and from our commercial knowledge and experience of the industry. Of these laws and regulations, we focused on those that we considered may have a direct material effect on the financial statements or the operations of the company, including Companies Act 2006, taxation legislation, data protection, anti-bribery, anti-money-laundering, employment, environmental and health and safety legislation. The extent of compliance with these laws and regulations identified above was assessed through making enquiries of management and inspecting legal correspondence. The identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations; and
- understanding the design of the company's remuneration policies.

AEROTRON LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AEROTRON LIMITED

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 2 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators including the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any. Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Use of our report

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

Daniel Rose
Senior Statutory Auditor
For and on behalf of Gravita Audit II Limited

29 December 2023

Chartered Accountants
Statutory Auditor

66 Prescot Street
London
E1 8NN

AEROTRON LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
Turnover	3	53,847,083	32,861,215
Cost of sales		(41,823,358)	(27,802,604)
Gross profit		12,023,725	5,058,611
Administrative expenses		(3,267,626)	(2,686,492)
Other operating income/(expenses)		6,790,455	(20,790)
Operating profit	4	15,546,554	2,351,329
Interest receivable and similar income	7	2,109,715	953,247
Profit before taxation		17,656,269	3,304,576
Tax on profit	8	(696,324)	(233,419)
Profit for the financial year		16,959,945	3,071,157
Retained earnings brought forward		64,100,927	61,029,770
Dividends	9	(2,000,000)	-
Retained earnings carried forward		79,060,872	64,100,927

The profit and loss account has been prepared on the basis that all operations are continuing operations.

AEROTRON LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2022

		2022		2021	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	10		5,305,482		5,573,087
Current assets					
Stocks	11	4,396,637		3,632,583	
Debtors	12	29,995,013		28,732,947	
Cash at bank and in hand		70,431,157		51,107,439	
			104,822,807		83,472,969
Creditors: amounts falling due within one year	13	(31,066,417)		(24,944,129)	
Net current assets			73,756,390		58,528,840
Net assets			79,061,872		64,101,927
Capital and reserves					
Called up share capital	16		1,000		1,000
Profit and loss reserves			79,060,872		64,100,927
Total equity			79,061,872		64,101,927

The financial statements were approved by the board of directors and authorised for issue on 29 December 2023 and are signed on its behalf by:

M P Westley - Managing Director
Director

Company Registration No. 01129495

AEROTRON LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022		2021	
		£	£	£	£
Cash flows from operating activities					
Cash generated from operations	20	18,367,813		8,595,196	
Income taxes refunded			-	655,257	
Net cash inflow from operating activities		<u>18,367,813</u>		<u>9,250,453</u>	
Investing activities					
Purchase of tangible fixed assets		(21,686)		(32,930)	
Loan advances		867,876		404,922	
Interest received		<u>2,109,715</u>		<u>953,247</u>	
Net cash generated from investing activities		2,955,905		1,325,239	
Financing activities					
Dividends paid		<u>(2,000,000)</u>		-	
Net cash used in financing activities		(2,000,000)		-	
Net increase in cash and cash equivalents		<u>19,323,718</u>		<u>10,575,692</u>	
Cash and cash equivalents at beginning of year		51,107,439		40,531,747	
Cash and cash equivalents at end of year		<u><u>70,431,157</u></u>		<u><u>51,107,439</u></u>	

AEROTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Aerotron Limited is a private company limited by shares incorporated in England and Wales. The registered office is Westley House, Fleming Way, Jenner Road, Crawley, West Sussex, RH10 9GA.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. This includes spare handling of Fixed Wing and Rotary parts, hiring and support services to aircraft operations. Income is recognised when the lease/repair of a part has occurred, when the support is given or when the risk and rewards have been transferred to the buyer in the case of spare part sales. Income from operating leases is recognised on a straight line basis over the term of the lease.

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

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Land and buildings Freehold	For buildings on cost over expected life of building of 25 years. Land is held at cost and not depreciated.
Plant and machinery	20% to 50% on cost
Fixtures, fittings & equipment	25% on cost
Motor vehicles	25% on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

AEROTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.5 Impairment of fixed assets

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

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

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

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

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

The cost of parts which can be repaired and reused is based on the cost of the original item. When a stock part is issued in exchange for a used part the item is refurbished and entered into the stock pool. The cost of refurbishment is expensed. In ascertaining the net realisable value of reusable stock the part is written down over its useful working life.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

AEROTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

AEROTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

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 profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

AEROTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Employee benefits

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

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

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

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

1.14 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the average monthly rate of the transaction. All differences are taken to profit and loss account.

AEROTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Stocks

Stocks are valued at the lower of cost and net realisable value. Net realisable value includes, where necessary, provisions for slow-moving and obsolete stock items. Calculation of these provisions requires judgements to be made, which include forecast consumer demand, likely repair cost and sale price, airworthiness, likelihood of obsolescence, level of competition and the economic environment.

The cost of parts which can be repaired and reused is based on the cost of the original item. When a stock part is issued in exchange for a used part the item is refurbished and entered into the stock pool. The cost of refurbishment is expensed in ascertaining the net realisable value of reusable stock; the part is written down over its useful working life.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Warranty provision

Determining the warranty provision requires the directors to consider the likely volume of repairs to be performed in the following year under warranties granted in the current year. The calculation used was based on the proportion of warranty repairs from a previous period. The carrying amount of the warranty provision in the accounts is £916,444 (2021: £558,641).

Contractual stock provision

Determining the stock provision at the year end requires the directors to ascertain the quantity and condition of certain stock items to ensure the company's obligations under service agreements will be performed. The directors will make a provision for stock items which they know they will be required to purchase at the year end to fulfil its contractual obligations as they consider the likely stock utilisation of stock that are either beyond economical repair or have been leased and/or sold.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2022	2021
	£	£
Turnover analysed by class of business		
Sales	53,847,083	32,861,215
	<u>53,847,083</u>	<u>32,861,215</u>

AEROTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

3 Turnover and other revenue (Continued)

	2022	2021
	£	£
Turnover analysed by geographical market		
United Kingdom	8,718,566	7,509,239
Non UK	45,128,517	25,351,976
	<u>53,847,083</u>	<u>32,861,215</u>
	2022	2021
	£	£
Other revenue		
Interest income	2,109,715	953,247
Grants received	-	46,850
	<u>-</u>	<u>46,850</u>

Grants received in 2021 consisted of monies received under the government-backed Coronavirus Job Retention Scheme. The funds were used to cover the salaries of staff furloughed under the scheme.

4 Operating profit

	2022	2021
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(6,790,455)	67,640
Government grants	-	(46,850)
Fees payable to the company's auditor for the audit of the company's financial statements	50,278	45,000
Depreciation of owned tangible fixed assets	289,291	292,232
	<u>289,291</u>	<u>292,232</u>

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022	2021
	Number	Number
Directors	7	7
Sales and admin	48	49
	<u>55</u>	<u>56</u>

AEROTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

5 Employees (Continued)

Their aggregate remuneration comprised:

	2022	2021
	£	£
Wages and salaries	4,103,146	3,598,812
Social security costs	529,747	434,693
Pension costs	86,835	90,149
	<u>4,719,728</u>	<u>4,123,654</u>

6 Directors' remuneration

	2022	2021
	£	£
Remuneration for qualifying services	1,652,298	1,530,824
Company pension contributions to defined contribution schemes	18,300	15,900
	<u>1,670,598</u>	<u>1,546,724</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2021 - 3).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2022	2021
	£	£
Remuneration for qualifying services	820,300	722,598
Company pension contributions to defined contribution schemes	6,000	4,800
	<u>826,300</u>	<u>727,398</u>

7 Interest receivable and similar income

	2022	2021
	£	£
Interest income		
Interest on bank deposits	890,851	34,677
Interest receivable from group companies	626,955	463,384
Other interest income	591,909	455,186
	<u>2,109,715</u>	<u>953,247</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>1,517,806</u>	<u>498,061</u>
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AEROTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

8 Taxation

	2022	2021
	£	£
Current tax		
UK corporation tax on profits for the current period	1,293,565	603,137
Adjustments in respect of prior periods	(603,137)	(410,781)
Total current tax	<u>690,428</u>	<u>192,356</u>
Deferred tax		
Origination and reversal of timing differences	<u>5,896</u>	<u>41,063</u>
Total tax charge	<u>696,324</u>	<u>233,419</u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022	2021
	£	£
Profit before taxation	<u>17,656,269</u>	<u>3,304,576</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	3,354,691	627,869
Tax effect of expenses that are not deductible in determining taxable profit	37,109	39,578
Tax effect of income not taxable in determining taxable profit	-	(64,310)
Change in unrecognised deferred tax assets	(455,125)	-
Adjustments in respect of prior years	(603,137)	(410,781)
Effect of change in corporation tax rate	110,645	-
Group relief	(1,790,102)	-
Fixed asset differences	42,243	41,063
Taxation charge for the year	<u>696,324</u>	<u>233,419</u>

9 Dividends

	2022	2021
	£	£
Interim paid	<u>2,000,000</u>	<u>-</u>

AEROTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

10 Tangible fixed assets

	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2022	7,797,401	1,667,558	874,898	62,105	10,401,962
Additions	-	21,686	-	-	21,686
At 31 December 2022	7,797,401	1,689,244	874,898	62,105	10,423,648
Depreciation and impairment					
At 1 January 2022	2,309,439	1,583,031	874,300	62,105	4,828,875
Depreciation charged in the year	228,840	59,853	598	-	289,291
At 31 December 2022	2,538,279	1,642,884	874,898	62,105	5,118,166
Carrying amount					
At 31 December 2022	5,259,122	46,360	-	-	5,305,482
At 31 December 2021	5,487,962	84,527	598	-	5,573,087

11 Stocks

	2022	2021
	£	£
Finished goods and goods for resale	4,396,637	3,632,583

12 Debtors

	2022	2021
	£	£
Amounts falling due within one year:		
Trade debtors	7,494,242	4,371,574
Amounts owed by group undertakings	5,275,791	5,947,101
Other debtors	3,030,157	4,213,553
Prepayments and accrued income	280,441	280,441
	16,080,631	14,812,669

AEROTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

12 Debtors	(Continued)	
	2022	2021
	£	£
Amounts falling due after more than one year:		
Amounts owed by group undertakings	13,881,584	13,881,584
Deferred tax asset (note 14)	32,798	38,694
	<u>13,914,382</u>	<u>13,920,278</u>
Total debtors	<u>29,995,013</u>	<u>28,732,947</u>

Trade debtors disclosed above are measured at amortised cost.

13 Creditors: amounts falling due within one year	2022	2021
	£	£
Trade creditors	11,720,716	12,577,035
Corporation tax	1,293,565	603,137
Other taxation and social security	58,123	60,989
Other creditors	378,496	-
Accruals and deferred income	17,615,517	11,702,968
	<u>31,066,417</u>	<u>24,944,129</u>

14 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets 2022	Assets 2021
	£	£
Balances:		
Fixed asset timing differences	<u>32,798</u>	<u>38,694</u>
Movements in the year:		2022
		£
Asset at 1 January 2022		(38,694)
Charge to profit or loss		5,896
Asset at 31 December 2022		<u>(32,798)</u>

AEROTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

15 Retirement benefit schemes

	2022	2021
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	86,835	90,149

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The contributions relating to December 2022 are included in the financial statements.

16 Share capital

	2022	2021	2022	2021
Ordinary share capital Issued and fully paid	Number	Number	£	£
Ordinary shares of £1 each	1,000	1,000	1,000	1,000

The company has only one class of shares, which carry no right to fixed income. All shares within the class rank equally for distributions.

17 Events after the reporting date

During the year the company had undertaken litigation against a third party to claim damages amounting to \$1.6m for loss of revenue. This has not been included in the financial statements as either an asset or contingent asset at the year end as it does not meet the definitions of either under FRS 102. The litigation is continuing after the year end and is not resolved at the date of signing the financial statements.

18 Directors' transactions

The directors had loan accounts during the year. The movements on these loans are as follows:

Description	% Rate	Opening balance £	Amounts advanced £	Amounts repaid £	Closing balance £
Amounts loaned from directors	2.25	144,555	1,494,946	(2,017,997)	(378,496)
		144,555	1,494,946	(2,017,997)	(378,496)

Other transactions

During the year two non-executive directors, R Wilson and G Mashlan, provided consultancy services to the company to the value of £139,468 (2021: £97,654). In relation to these amounts, £7,500 (2021: £8,342) was owing at the year end.

AEROTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

19 Ultimate controlling party

The immediate and ultimate parent company of Aerotron Leasing Services Limited is Total Aircraft Product Support (Holdings) Limited.

Total Aircraft Product Support (Holdings) Limited (TAPS) is registered in England and Wales and prepares consolidated accounts which are available from its registered office at Westley House, Fleming Way, Crawley, West Sussex, RH10 9GA. TAPS is wholly owned by the Westley family, the ultimate controlling party.

20 Cash generated from operations

	2022	2021
	£	£
Profit for the year after tax	16,959,945	3,071,157
Adjustments for:		
Taxation charged	696,324	233,419
Investment income	(2,109,715)	(953,247)
Depreciation and impairment of tangible fixed assets	289,291	292,232
Movements in working capital:		
(Increase)/decrease in stocks	(764,054)	626,063
(Increase)/decrease in debtors	(2,135,838)	1,186,108
Increase in creditors	5,431,860	4,139,464
Cash generated from operations	<u>18,367,813</u>	<u>8,595,196</u>

21 Analysis of changes in net funds

	1 January 2022	Cash flows	31 December 2022
	£	£	£
Cash at bank and in hand	51,107,439	19,323,718	70,431,157
	<u>51,107,439</u>	<u>19,323,718</u>	<u>70,431,157</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.