

**REGISTRAR OF
COMPANIES**

Aviation & Defence Spares Limited

**Annual Report and Financial Statements
Year Ended 31 December 2020**

Registration number: 02470351

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Aviation & Defence Spares Limited

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Aviation & Defence Spares Limited

Company Information

Directors J N M Gordon
M C Gordon
S Brown
J Prchal

Company secretary Mrs J A Gordon

Registered office Unit 3 Branksome Business Park
Bourne Valley Road
Poole
Dorset
BH12 1DW

Auditors PKF Francis Clark
Chartered Accountants & Statutory Auditors
Towngate House
2-8 Parkstone Road
Poole
Dorset
BH15 2PW

Aviation & Defence Spares Limited

Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

Principal activity

The principal activity of the company is that of aviation product supply.

Fair review of the business

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the year end. Our review is consistent with the size and nature of the business and is written in context of the risks and uncertainties that we face. The directors are satisfied with the performance of the company during the year.

Revenues have decreased during the year which was caused by Covid Global Pandemic and its impact on generating new revenue streams as well as delays in manufacturing. The majority of our contracts were not cancelled but instead deferred by 6-12 months. Therefore we are expecting Revenue to increase to a forecasted £25mil in 2021.

Reduced GP Margin caused mainly by product mix sold during 2020.

We consider that the key performance indicators of the business to be based around sales and profit.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2020	2019
Sales	£	13,137,787	17,302,936
Gross profit %	%	18	21
Profit before tax	£	1,081,500	1,702,026
Net assets	£	1,895,947	1,813,182

Principal risks, uncertainties and financial instruments

The business' activities expose it primarily to the financial risks of changes in foreign currency exchange rates.

The business' principal financial instruments comprise bank balances, stock, trade debtors, trade creditors and loans. The main purpose of these instruments is to finance the business' operations.

Stock is held for resale to meet current and future customer orders. The amount presented in the balance sheet is shown net of any adjustment for obsolete or slow moving stock.

In respect of bank balances, the liquidity risk is managed by the continued monitoring of cash requirements to meet current and future funding requirements. Cash balances are held to achieve a competitive rate of interest.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and regular monitoring of amounts outstanding. The amounts presented in the balance sheet are net of allowances for doubtful debts.

Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Loans are managed through fixed repayment amounts with a known rate of interest and repayments to provide certainty.

Aviation & Defence Spares Limited

Strategic Report for the Year Ended 31 December 2020

Brexit

We expect no major impact apart from slight delays in importing goods from Europe in the first quarter of 2021.

Covid-19 and going concern

We have identified the below three main threats:

1. Manpower - most of our employees are able to effectively work from home in order to maintain social distancing, therefore there is no impact on operations. Expecting to back in the office by May 2021
2. Supply Chain - Slight delays in first quarter of 2021 however we do not expect this to be a long-term issue. We are periodically monitoring this situation with our supply chain.
3. Customer Chain - Experiencing delays in demand due to budgetary reviews of our main customers based in India.

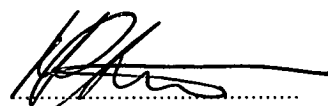
We have prepared detailed extended forecasts until June 2022 and based on current orders and prospective sales, anticipate that our turnover for the year 2021 will increase to around £25m mainly driven by new sales generated in the US.

We are keeping a close eye on all costs to make savings where these are possible. There will be administration costs savings mainly around travel and advertising costs associated with exhibitions and general business.

In order to strengthen our working capital requirements we have changed banking provider. This switch increased our Bank Guarantee Facility and also given us access to a Trade Facility in excess of £1.5mil to fund trading operations.

With this additional facility added to the current cash reserves we are confident that ADS Ltd have sufficient facilities to withstand the impact of Covid-19 and be ready for an expected upward trend in 2021.

Approved by the Board on 10/05/21 and signed on its behalf by:



M C Gordon
Director

Aviation & Defence Spares Limited

Directors' Report for the Year Ended 31 December 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

Directors of the company

The directors who held office during the year were as follows:

N P Gordon (resigned 26 February 2021)

Mrs J A Gordon (resigned 26 February 2021)

J N M Gordon

M C Gordon

S Brown (appointed 1 October 2020)

The following director was appointed after the year end:

J Prchal (appointed 1 May 2021)

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

The auditors PKF Francis Clark are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Other matters

In accordance with Section 414C(11) of the Companies Act 2006, information regarding financial instruments and future developments has been disclosed in the Strategic Report.

Approved by the Board on 10/05/21 and signed on its behalf by:



M C Gordon
Director

Aviation & Defence Spares Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities 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 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; and
- 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.

Aviation & Defence Spares Limited

Independent Auditor's Report to the Members of Aviation & Defence Spares Limited

Opinion

We have audited the financial statements of Aviation & Defence Spares Limited (the 'company') for the year ended 31 December 2020, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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 director's 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 original financial statements were 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 directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Aviation & Defence Spares Limited

Independent Auditor's Report to the Members of Aviation & Defence Spares Limited

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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:

Aviation & Defence Spares Limited

Independent Auditor's Report to the Members of Aviation & Defence Spares Limited

As part of our audit planning we obtained an understanding of the legal and regulatory framework that is applicable to the company. We gained an understanding of the company and the industry in which the company operates as part of this assessment to identify the key laws and regulations affecting the company. We enquired with management policies and procedures and made an appropriate team selection (ensuring competence and capability to recognise non-compliance). Key regulations we identified were aviation supply and tracking laws and regulations, health and safety regulations, employment law and also those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and tax legislation.

Management enquiries covered any knowledge or evidence of actual or potential fraud, litigation and claims which are followed up with corroborative audit review work. We also evaluated management incentives and opportunities for fraudulent manipulation of the financial statements and found nothing to note.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the following:

- Enquiries of management regarding their knowledge of any non compliance with laws and regulations that could affect the financial statements. As part of these enquiries we also discussed with management whether there have been any known instances of fraud, of which there were none.
- Reviewed legal and professional costs to identify any possible non compliance or legal costs in respect of non compliance.
- Audited the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.
- Through our substantive sales and purchase testing, we ensured that all documentation with regards to the purchase and sale of aviation parts was retained.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements. This risk increases if non-compliance with laws and regulations is removed from the events and transactions reflected in the financial statements as we are less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment, collusion, omission or misrepresentation.

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

Aviation & Defence Spares Limited

Independent Auditor's Report to the Members of Aviation & Defence Spares Limited

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.

Mark Johns

Mark Johns FCA FCCA (Senior Statutory Auditor)
PKF Francis Clark, Statutory Auditor

Towngate House
2-8 Parkstone Road
Poole
Dorset
BH15 2PW

Date: 13/05/21

Aviation & Defence Spares Limited

Profit and Loss Account

Year Ended 31 December 2020

	Note	2020 £	2019 £
Turnover	3	13,137,787	17,302,936
Cost of sales		<u>(10,793,260)</u>	<u>(13,604,653)</u>
Gross profit		2,344,527	3,698,283
Administrative expenses		(1,267,558)	(1,991,099)
Other operating income	4	<u>23,098</u>	<u>-</u>
Operating profit	5	1,100,067	1,707,184
Other interest receivable and similar income	6	785	3,008
Interest payable and similar charges	7	<u>(19,352)</u>	<u>(8,166)</u>
Profit on ordinary activities before tax		1,081,500	1,702,026
Taxation	11	<u>(212,350)</u>	<u>(334,189)</u>
Profit for the financial year		<u><u>869,150</u></u>	<u><u>1,367,837</u></u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above so has not prepared a Statement of Comprehensive Income.

Aviation & Defence Spares Limited

Balance Sheet

31 December 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	12	727,948	741,626
Current assets			
Stocks	13	3,402,002	1,657,311
Debtors	14	3,860,880	3,102,393
Cash at bank and in hand		<u>407,383</u>	<u>1,025,678</u>
		7,670,265	5,785,382
Creditors: Amounts falling due within one year	16	<u>(6,088,318)</u>	<u>(4,427,144)</u>
Net current assets		<u>1,581,947</u>	<u>1,358,238</u>
Total assets less current liabilities		2,309,895	2,099,864
Creditors: Amounts falling due after more than one year	16	(393,268)	(265,572)
Provisions for liabilities	17	<u>(20,680)</u>	<u>(21,110)</u>
Net assets		<u>1,895,947</u>	<u>1,813,182</u>
Capital and reserves			
Called up share capital		100	100
Profit and loss account		<u>1,895,847</u>	<u>1,813,082</u>
Shareholders' funds		<u>1,895,947</u>	<u>1,813,182</u>

Approved and authorised by the Board on 10/05/21 and signed on its behalf by:



M C Gordon
Director

Company Registration Number: 02470351

Aviation & Defence Spares Limited

Statement of Changes in Equity

Year Ended 31 December 2020

	Share capital £	Profit and loss account £	Total £
At 1 January 2020	100	1,813,082	1,813,182
Profit for the year	-	869,150	869,150
Dividends	-	(786,385)	(786,385)
At 31 December 2020	<u>100</u>	<u>1,895,847</u>	<u>1,895,947</u>

	Share capital £	Profit and loss account £	Total £
At 1 January 2019	100	2,091,051	2,091,151
Profit for the year	-	1,367,837	1,367,837
Dividends	-	(1,645,806)	(1,645,806)
At 31 December 2019	<u>100</u>	<u>1,813,082</u>	<u>1,813,182</u>

The notes on pages 14 to 25 form an integral part of these financial statements.

Aviation & Defence Spares Limited

Statement of Cash Flows

Year Ended 31 December 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Profit for the year		869,150	1,367,837
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	40,747	45,022
Profit on disposal of tangible assets		(111)	(234)
Finance income	6	(785)	(3,008)
Finance costs	7	19,352	8,166
Income tax expense	11	212,350	334,189
		<u>1,140,703</u>	<u>1,751,972</u>
Working capital adjustments			
(Increase)/decrease in stocks	13	(1,744,691)	660,773
(Increase)/decrease in trade debtors	14	(758,487)	1,248,841
Increase/(decrease) in trade creditors	16	<u>1,975,599</u>	<u>(1,755,604)</u>
Cash generated from operations		613,124	1,905,982
Income taxes paid	11	<u>(254,000)</u>	<u>(615,651)</u>
Net cash flow from operating activities		<u>359,124</u>	<u>1,290,331</u>
Cash flows from investing activities			
Interest received	6	785	3,008
Acquisitions of tangible assets		(27,848)	(16,252)
Proceeds from sale of tangible assets		<u>890</u>	<u>3,000</u>
Net cash flows from investing activities		<u>(26,173)</u>	<u>(10,244)</u>
Cash flows from financing activities			
Interest paid	7	(19,352)	(8,166)
Repayment of bank borrowing		(323,641)	(19,335)
Proceeds from other borrowing draw downs		486,816	-
Dividends paid		<u>(786,385)</u>	<u>(1,645,806)</u>
Net cash flows from financing activities		<u>(642,562)</u>	<u>(1,673,307)</u>
Net decrease in cash and cash equivalents		(309,611)	(393,220)
Cash and cash equivalents at 1 January		<u>716,994</u>	<u>1,110,214</u>
Cash and cash equivalents at 31 December	15	<u><u>407,383</u></u>	<u><u>716,994</u></u>

The notes on pages 14 to 25 form an integral part of these financial statements.

Aviation & Defence Spares Limited

Notes to the Financial Statements

Year Ended 31 December 2020

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

Unit 3 Branksome Business Park

Bourne Valley Road

Poole

Dorset

BH12 1DW

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

There are no material departures from FRS 102.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Going concern

Detailed extended forecasts have been prepared until June 2022 and based on current orders and prospective sales, the directors anticipate that the turnover for the year 2021 will increase to around £25m mainly driven by new sales generated in the US.

The directors are keeping a close eye on all costs to make savings where these are possible and in order to strengthen working capital requirements banking providers have been changed. This switch has given the company access to a £1.5m trade facility.

With this additional facility added to the current cash reserves, the directors are confident that the company have sufficient facilities to withstand the impact of Covid-19 and be ready for an expected upward trend in 2021.

Aviation & Defence Spares Limited

Notes to the Financial Statements

Year Ended 31 December 2020

Judgements

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made are noted below:

Bad debt provision - The directors have completed a review of trade debtor balances to determine which balances are unlikely to be received and a provision has been accounted for where necessary.

Stock provision - The directors have completed a review of stock at the year end and have included a provision in the accounts for stock items which are not expected to be used.

Revenue recognition

Revenue represents amounts chargeable, net of value added tax, in respect of the sale of goods and services to customers.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and specific criteria have been met for each of the Company's activities.

Foreign currency transactions and balances

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account.

Tax

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current corporation 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 taxable income.

Deferred corporation tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred corporation tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Aviation & Defence Spares Limited

Notes to the Financial Statements

Year Ended 31 December 2020

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold buildings	2% per annum reducing balance basis
Plant and machinery	15% per annum reducing balance basis
Fixtures, fittings and equipment	10% and 50% per annum reducing balance basis

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at cost, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stock is valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Some stock items held can be a number of years old, however the very nature of the parts being held are in respect of aircraft which is no longer manufactured but for which there is still an active market and the directors take this into account when reviewing stock provisions.

Net realisable value is based on selling price less anticipated costs to completion and selling costs.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised at the initial transaction price.

Aviation & Defence Spares Limited

Notes to the Financial Statements

Year Ended 31 December 2020

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

3 Revenue

The analysis of the company's turnover for the year by market is as follows:

	2020 £	2019 £
UK	247,462	780,572
Europe	1,125,991	1,653,412
Rest of world	11,764,334	14,868,952
	<u>13,137,787</u>	<u>17,302,936</u>

Aviation & Defence Spares Limited

Notes to the Financial Statements

Year Ended 31 December 2020

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2020 £	2019 £
Government grants	<u>23,098</u>	<u>-</u>

5 Operating profit

Arrived at after charging/(crediting)

	2020 £	2019 £
Depreciation expense	40,747	45,022
Foreign exchange losses/(gains)	(15,466)	164,010
Operating lease expense - plant and machinery	22,182	38,491
Profit on disposal of property, plant and equipment	<u>(111)</u>	<u>(234)</u>

6 Other interest receivable and similar income

	2020 £	2019 £
Interest income on bank deposits	<u>785</u>	<u>3,008</u>

7 Interest payable and similar expenses

	2020 £	2019 £
Interest on bank overdrafts and borrowings	<u>19,352</u>	<u>8,166</u>

Aviation & Defence Spares Limited

Notes to the Financial Statements

Year Ended 31 December 2020

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020	2019
	£	£
Wages and salaries	507,447	587,006
Social security costs	50,995	59,417
Private health insurance	29,707	31,146
Pension costs, defined contribution scheme	8,230	7,633
	<u>596,379</u>	<u>685,202</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2020	2019
	No.	No.
Staff	12	16
Directors	4	4
	<u>16</u>	<u>20</u>

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020	2019
	£	£
Remuneration	<u>107,137</u>	<u>37,742</u>

10 Auditors' remuneration

	2020	2019
	£	£
Audit of the financial statements	<u>10,500</u>	<u>10,000</u>
Other fees to auditors		
All other non-audit services	<u>9,103</u>	<u>12,877</u>

Aviation & Defence Spares Limited

Notes to the Financial Statements

Year Ended 31 December 2020

11 Taxation

Tax charged/(credited) in the income statement

	2020 £	2019 £
Current taxation		
UK corporation tax	212,780	337,199
Deferred taxation		
Arising from origination and reversal of timing differences	(430)	(3,010)
Tax expense in the income statement	<u>212,350</u>	<u>334,189</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2019 - higher than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Profit before tax	<u>1,081,500</u>	<u>1,702,026</u>
Corporation tax at standard rate	205,485	323,385
Effect of expense not deductible in determining taxable profit (tax loss)	4,442	8,401
Tax increase from effect of capital allowances and depreciation	<u>2,423</u>	<u>2,403</u>
Total tax charge	<u>212,350</u>	<u>334,189</u>

Aviation & Defence Spares Limited

Notes to the Financial Statements

Year Ended 31 December 2020

12 Tangible assets

	Freehold land and buildings £	Furniture, fittings and equipment £	Other property, plant and equipment £	Total £
Cost or valuation				
At 1 January 2020	708,381	300,260	73,296	1,081,937
Additions	-	27,848	-	27,848
Disposals	-	(106,720)	-	(106,720)
At 31 December 2020	<u>708,381</u>	<u>221,388</u>	<u>73,296</u>	<u>1,003,065</u>
Depreciation				
At 1 January 2020	88,901	192,414	58,996	340,311
Charge for the year	12,389	26,213	2,145	40,747
Eliminated on disposal	-	(105,941)	-	(105,941)
At 31 December 2020	<u>101,290</u>	<u>112,686</u>	<u>61,141</u>	<u>275,117</u>
Carrying amount				
At 31 December 2020	<u>607,091</u>	<u>108,702</u>	<u>12,155</u>	<u>727,948</u>
At 31 December 2019	<u>619,480</u>	<u>107,846</u>	<u>14,300</u>	<u>741,626</u>

Included within the net book value of land and buildings above is £607,091 (2019 - £619,480) in respect of freehold land and buildings.

13 Stocks

	2020 £	2019 £
Work in progress	449,760	418,668
Finished goods and goods for resale	<u>2,952,242</u>	<u>1,238,643</u>
	<u>3,402,002</u>	<u>1,657,311</u>

Impairment of stocks

The amount of impairment loss included in profit or loss is £46,494 (2019 - £Nil).

Aviation & Defence Spares Limited

Notes to the Financial Statements

Year Ended 31 December 2020

14 Debtors

	Note	2020 £	2019 £
Trade debtors		3,346,809	2,564,145
Amounts owed by related parties	24	245,384	107,497
Other debtors		170,724	287,900
Prepayments		97,963	142,851
		<u>3,860,880</u>	<u>3,102,393</u>

15 Cash and cash equivalents

	2020 £	2019 £
Cash at bank	407,383	1,025,678
Bank overdrafts	-	(308,684)
Cash and cash equivalents in statement of cash flows	<u>407,383</u>	<u>716,994</u>

16 Creditors

	Note	2020 £	2019 £
Due within one year			
Loans and borrowings	20	56,179	329,384
Trade creditors		4,618,252	2,450,219
Social security and other taxes		26,172	27,318
Outstanding defined contribution pension costs		2,402	2,511
Other creditors		1,188,106	1,330,600
Accrued expenses		109,228	157,913
Corporation tax	11	87,979	129,199
		<u>6,088,318</u>	<u>4,427,144</u>
Due after one year			
Loans and borrowings	20	<u>393,268</u>	<u>265,572</u>

17 Deferred tax and other provisions

	Deferred tax £
At 1 January 2020	21,110
Increase (decrease) in existing provisions	<u>(430)</u>
At 31 December 2020	<u>20,680</u>

Aviation & Defence Spares Limited

Notes to the Financial Statements

Year Ended 31 December 2020

18 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £8,230 (2019 - £7,633).

Contributions totalling £2,402 (2019 - £2,511) were payable to the scheme at the end of the year and are included in creditors.

19 Share capital

Allotted, called up and fully paid shares

	No.	2020 £	No.	2019 £
Ordinary A shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

20 Loans and borrowings

	2020 £	2019 £
Non-current loans and borrowings		
Bank borrowings	<u>393,268</u>	<u>265,572</u>

	2020 £	2019 £
Current loans and borrowings		
Bank borrowings	56,179	20,700
Bank overdrafts	<u>-</u>	<u>308,684</u>
	<u>56,179</u>	<u>329,384</u>

Bank borrowings

Bank loan is denominated in £ with a nominal interest rate of base rate plus 2.19%, and the final instalment is due on 30 April 2025. The carrying amount at year end is £252,631 (2019 - £286,272).

The previous loan was repaid fully in the year and a new loan taken out with another lender. The bank loan is secured by a charge over the freehold land and buildings owned by the company.

Import loan is denominated in £ with a nominal interest rate of base rate plus 2.67%, and the final instalment is due on 3 February 2022. The carrying amount at year end is £196,816 (2019 - £Nil).

Aviation & Defence Spares Limited

Notes to the Financial Statements

Year Ended 31 December 2020

21 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Not later than one year	3,714	21,696
	<u>3,714</u>	<u>21,696</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £22,182 (2019 - £38,940).

22 Contingent liabilities

There are performance guarantees outstanding at the year end of £335,657 (2019: £518,903). This relates to 10% of sales to three customers.

23 Analysis of changes in net debt

	At 1 January 2020 £	Financing cash flows £	At 31 December 2020 £
Cash and cash equivalents			
Cash	1,025,678	(618,295)	407,383
Overdrafts	<u>(308,684)</u>	<u>308,684</u>	<u>-</u>
	<u>716,994</u>	<u>(309,611)</u>	<u>407,383</u>
Borrowings			
Long term borrowings	(265,572)	(127,696)	(393,268)
Short term borrowings	<u>(20,700)</u>	<u>(35,479)</u>	<u>(56,179)</u>
	<u>(286,272)</u>	<u>(163,175)</u>	<u>(449,447)</u>
	<u>430,722</u>	<u>(472,786)</u>	<u>(42,064)</u>

Aviation & Defence Spares Limited

Notes to the Financial Statements

Year Ended 31 December 2020

24 Related party transactions

Transactions with directors

	At 1 January 2020 £	Advances to directors £	At 31 December 2020 £
2020			
S Brown			
Director loan account	-	30,000	30,000

The above balance is included in other debtors as at the year end.

Summary of transactions with entities with joint control or significant interest

Companies under common control

As at 31 December 2020 the company was owed £245,384 (2019: £107,497) from companies under common control.

Dividends

During the year the following dividends were paid to Directors:

N P Gordon - £235,916 (2019: £369,886)
Mrs J A Gordon - £78,638 (2019: £126,886)
J N M Gordon - £235,916 (2019: £574,517)
M C Gordon - £235,916 (2019: £574,517)

25 Control

The company was controlled by the directors who owned 100% of the called up share capital.

In February 2021 the company purchased back 20% of the issued share capital. From this date the company is under the control of M Gordon and J Gordon who now own 40% of the issued share capital each.