

**REGISTRAR OF
COMPANIES**

Aviation & Defence Spares Group Limited
Annual Report and Consolidated Financial Statements
Year Ended 31 December 2022

Registration number: 11595860

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REGISTRAR OF

Aviation & Defence Spares Group Limited

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Aviation & Defence Spares Group Limited

Company Information

Directors	Mr J N M Gordon
	Mr M C Gordon
	Mr S Brown
	Mr J Prchal
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 Group Limited

Strategic Report

Year Ended 31 December 2022

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

Principal activity

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

During September 2021 the company acquired 100% of the share capital of Aviation & Defence Spares Limited by way of a share for share exchange with the shareholders.

The results of the group have been accounted for in accordance with the principles of merger accounting as the group reconstruction fulfils the criteria laid out in FRS 102.

Consequently, the financial statements have been prepared as if the group had been in existence and as if it carried on the business of all the group companies.

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 pleased with the performance of the company during the year.

Revenues have increased significantly as a result of the delays caused by the Covid-19 global pandemic in 2020 where the majority of our contracts were deferred by 6-12 months. We are anticipating further revenue increases to a forecasted £27m in 2023 for the UK subsidiary and \$5.5m for Aviation & Defence Spares Inc.

Increased GP Margin is driven by product mix sold during 2022 and a change in ADS' focus on supply chain.

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

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

Financial KPIs	Unit	2022	2021
Sales	£	26,562,689	26,135,185
Gross profit %	%	22	19
Profit before tax	£	4,162,839	3,289,982
Net assets	£	5,811,462	3,107,856

Aviation & Defence Spares Group Limited

Strategic Report

Year Ended 31 December 2022

Principal risks and uncertainties

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.

Covid-19

We have identified the below three main threats:

1. Manpower - most of our employees were able to effectively work from home in order to maintain social distancing, therefore no impact on operations. All staff have returned back to office since January 2022.
2. Supply Chain - Delays in first half of 2021, however this has now been significantly improved to pre-pandemic level.
3. Customer Chain - During 2021 delays in demand due to budgetary reviews of our main customers based in India, however this has now been significantly improved to pre-pandemic level.

Brexit

IT systems have been updated to deal with the additional administrative tasks and customs requirements.

Ukraine War

No material impact on ADS.

Aviation & Defence Spares Group Limited

Strategic Report

Year Ended 31 December 2022

Going concern

We have prepared detailed extended forecasts until May 2024, and based on current orders and prospective sales, we anticipate that our group turnover for the year 2023 will increase to around £31m, mainly driven by sales generated in USA and India. Furthermore GP % should also increase to 23-24%.

In order to strengthen our working capital requirements we have increased our Trade Facility to £4.80mil to fund trading operations.

With this increased facility added to the current cash reserves we are confident that ADS Ltd have sufficient resources to be ready for an expected upward trend in 2023.

Approved and authorised by the Board on 17/05/23 and signed on its behalf by:



Mr S Brown
Director

Aviation & Defence Spares Group Limited

Directors' Report

Year Ended 31 December 2022

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

Directors of the group

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

Mr J N M Gordon

Mr M C Gordon

Mr S Brown

Mr J Prchal

Disclosure of information to the auditor

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 auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is 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 and authorised by the Board on 17/05/23 and signed on its behalf by:



Mr S Brown
Director

Aviation & Defence Spares Group 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 group and the company and of the profit or loss of the group 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 group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Aviation & Defence Spares Group Limited

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

Opinion

We have audited the financial statements of Aviation & Defence Spares Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated 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 group's and the parent company's affairs as at 31 December 2022 and of the group's 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 responsibilities for the audit of the financial statements section of our report. We are independent of the group 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 group and parent 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.

Aviation & Defence Spares Group Limited

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

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.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 6, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Aviation & Defence Spares Group Limited

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

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:

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.

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.
- 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 the further removed non-compliance with laws and regulations is 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 Group Limited

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



Chloe Mills FCA (Senior Statutory Auditor)
PKF Francis Clark, Statutory Auditor

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

Date: 18.5.23

Aviation & Defence Spares Group Limited

Consolidated Profit and Loss Account

Year Ended 31 December 2022

		2022	1 October 2020 to 31 December 2021
	Note	£	£
Turnover	3	26,562,689	26,135,185
Cost of sales		<u>(20,674,675)</u>	<u>(21,139,386)</u>
Gross profit		5,888,014	4,995,799
Administrative expenses		(1,671,992)	(1,662,673)
Other operating income	4	<u>917</u>	<u>535</u>
Operating profit	5	4,216,939	3,333,661
Interest payable and similar expenses	6	<u>(54,100)</u>	<u>(43,679)</u>
Profit before tax		4,162,839	3,289,982
Tax on profit	10	<u>(801,592)</u>	<u>(640,925)</u>
Profit for the financial year		<u>3,361,247</u>	<u>2,649,057</u>
Profit/(loss) attributable to:			
Owners of the company		<u>3,361,247</u>	<u>2,649,057</u>

Aviation & Defence Spares Group Limited

Consolidated Statement of Comprehensive Income

Year Ended 31 December 2022

	2022 £	1 October 2020 to 31 December 2021 £
Profit for the year	3,361,247	2,649,057
Foreign currency translation gains/(losses)	19,233	(3,066)
Total comprehensive income for the year	<u>3,380,480</u>	<u>2,645,991</u>
Total comprehensive income attributable to:		
Owners of the company	<u>3,380,480</u>	<u>2,645,991</u>

Aviation & Defence Spares Group Limited

Consolidated Balance Sheet

31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	11	682,176	704,923
Current assets			
Stocks	13	5,804,560	3,653,913
Debtors	14	5,333,252	5,908,775
Cash at bank and in hand	15	991,422	488,732
		12,129,234	10,051,420
Creditors: Amounts falling due within one year	16	(6,977,797)	(7,484,915)
Net current assets		5,151,437	2,566,505
Total assets less current liabilities		5,833,613	3,271,428
Creditors: Amounts falling due after more than one year	16	-	(138,890)
Provisions for liabilities	18	(22,150)	(24,680)
Net assets		5,811,463	3,107,858
Capital and reserves			
Called up share capital	20	200	200
Capital redemption reserve		20	20
Merger reserve		(20)	(20)
Profit and loss account		5,811,263	3,107,658
Equity attributable to owners of the company		5,811,463	3,107,858
Shareholders' funds		5,811,463	3,107,858

Approved and authorised by the Board on 17/05/23 and signed on its behalf by:



Mr S Brown
Director

Company Registration Number: 11595860

Aviation & Defence Spares Group Limited

Balance Sheet

31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Investments	12	100	100
Current assets			
Debtors	14	197,210	100
Creditors: Amounts falling due within one year	16	<u>(197,110)</u>	<u>-</u>
Net current assets		<u>100</u>	<u>100</u>
Net assets		<u>200</u>	<u>200</u>
Capital and reserves			
Called up share capital	20	<u>200</u>	<u>200</u>
Shareholders' funds		<u>200</u>	<u>200</u>

Approved and authorised by the Board on 17/05/23 and signed on its behalf by:



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Mr S Brown
Director

Company Registration Number: 11595860

Aviation & Defence Spares Group Limited

Consolidated Statement of Changes in Equity

Year Ended 31 December 2022

	Share capital £	Capital redemption reserve £	Other reserves £	Profit and loss account £	Total £
At 1 January 2022	200	20	(20)	3,107,658	3,107,858
Profit for the year	-	-	-	3,361,247	3,361,247
Other comprehensive income	-	-	-	19,233	19,233
Total comprehensive income	-	-	-	3,380,480	3,380,480
Dividends	-	-	-	(676,875)	(676,875)
At 31 December 2022	200	20	(20)	5,811,263	5,811,463

	Share capital £	Capital redemption reserve £	Merger reserve £	Profit and loss account £	Total £
At 1 October 2020	100	-	-	2,237,967	2,238,067
Profit for the year	-	-	-	2,649,057	2,649,057
Other comprehensive income	-	-	-	(3,066)	(3,066)
Total comprehensive income	-	-	-	2,645,991	2,645,991
Dividends	-	-	-	(1,173,300)	(1,173,300)
New share capital subscribed	100	-	-	-	100
Purchase of own share capital	-	20	-	(603,000)	(602,980)
Merger adjustment, decrease in equity	-	-	(20)	-	(20)
At 31 December 2021	200	20	(20)	3,107,658	3,107,858

The notes on pages 18 to 32 form an integral part of these financial statements.

Aviation & Defence Spares Group Limited

Statement of Changes in Equity

Year Ended 31 December 2022

	Share capital £	Profit and loss account £	Total £
At 1 January 2022	200	-	200
Profit for the year	-	676,875	676,875
Dividends	-	(676,875)	(676,875)
At 31 December 2022	200	-	200

	Share capital £	Profit and loss account £	Total £
At 1 October 2020	100	-	100
New share capital subscribed	100	-	100
At 31 December 2021	200	-	200

Aviation & Defence Spares Group Limited

Consolidated Statement of Cash Flows

Year Ended 31 December 2022

		2022 £	1 October 2020 to 31 December 2021 £
	Note		
Cash flows from operating activities			
Profit for the year		3,361,247	2,649,057
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	40,123	49,694
Loss on disposal of tangible assets		2,452	660
Finance costs	6	54,100	43,679
Income tax expense	10	801,592	640,925
Foreign exchange gains/losses		19,233	(3,066)
		<u>4,278,747</u>	<u>3,380,949</u>
Working capital adjustments			
Increase in stocks	13	(2,150,647)	(393,671)
Decrease/(increase) in trade debtors	14	586,667	(2,399,246)
(Decrease)/increase in trade creditors	16	(852,708)	878,980
Increase in deferred income, including government grants		-	141,585
		<u>1,862,059</u>	<u>1,608,597</u>
Cash generated from operations			
Income taxes paid	10	<u>(608,566)</u>	<u>(527,291)</u>
Net cash flow from operating activities		<u>1,253,493</u>	<u>1,081,306</u>
Cash flows from investing activities			
Acquisitions of tangible assets		(19,828)	(25,410)
Cash flows from financing activities			
Interest paid	6	(54,100)	(43,679)
Proceeds from issue of ordinary shares, net of issue costs		-	100
Payments for purchase of own shares		-	(603,000)
Proceeds from bank borrowing draw downs		-	1,900,562
Repayment of bank borrowing		-	(1,278,843)
Dividends paid		<u>(676,875)</u>	<u>(1,173,300)</u>
Net cash flows from financing activities		<u>(730,975)</u>	<u>(1,198,160)</u>
Net increase/(decrease) in cash and cash equivalents		502,690	(142,264)
Cash and cash equivalents at 1 January		<u>488,732</u>	<u>630,996</u>
Cash and cash equivalents at 31 December		<u><u>991,422</u></u>	<u><u>488,732</u></u>

The notes on pages 18 to 32 form an integral part of these financial statements.

Aviation & Defence Spares Group Limited

Notes to the Financial Statements

Year Ended 31 December 2022

1 General information

The company is a private company limited by share capital, incorporated in United Kingdom.

The address of its registered office is:

Unit 3 Branksome Business Park

Bourne Valley Road

Poole

Dorset

BH12 1DW

United Kingdom

These financial statements were authorised for issue by the Board on

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.

Summary of disclosure exemptions

Aviation & Defence Spares Group Limited meets the definition of a qualifying group entity under FRS 102 and has therefore taken advantage of certain disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements.

Exemptions have been taken in relation to the presentation of the financial instruments and no separate company Statement of Cash Flows has been prepared.

Aviation & Defence Spares Group Limited

Notes to the Financial Statements

Year Ended 31 December 2022

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2022.

As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

During September 2021, the company acquired 100% of the share capital of Aviation & Defence Spares Limited by way of a share for share exchange with the shareholders.

The results of the group have been accounted for in accordance with the principles of merger accounting as the group reconstruction fulfils the criteria laid out in FRS 102.

Consequently, the financial statements have been prepared as if the group had been in existence and as if it carried on the business of all the group companies.

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings (Aviation & Defence Spares Limited and Aviation & Defence Spares Inc.).

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Going concern

We have prepared detailed extended forecasts until May 2024, and based on current orders and prospective sales, we anticipate that our group turnover for the year 2023 will increase to around £31m, mainly driven by sales generated in USA and India. Furthermore GP % should also increase to 23-24%.

In order to strengthen our working capital requirements we have increased our Trade Facility to £4.80mil to fund trading operations.

With this increased facility added to the current cash reserves we are confident that ADS Ltd have sufficient resources to be ready for an expected upward trend in 2023.

Aviation & Defence Spares Group Limited

Notes to the Financial Statements

Year Ended 31 December 2022

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 Group Limited

Notes to the Financial Statements

Year Ended 31 December 2022

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 & machinery	15% per annum reducing balance basis
Fixtures, fittings and equipment	10% and 50% per annum reducing balance basis

Investments

Investments in subsidiaries are stated at cost less any impairment.

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.

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 amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the group 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.

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 Group Limited

Notes to the Financial Statements

Year Ended 31 December 2022

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 group 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 group 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.

Aviation & Defence Spares Group Limited

Notes to the Financial Statements

Year Ended 31 December 2022

3 Turnover

The analysis of the group's Turnover for the year by market is as follows:

	2022	1 October 2020 to 31 December 2021
	£	£
UK	2,462,908	927,063
Europe	1,427,253	1,454,204
Rest of world	22,672,528	23,753,918
	<u>26,562,689</u>	<u>26,135,185</u>

4 Other operating income

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

	2022	1 October 2020 to 31 December 2021
	£	£
Miscellaneous other operating income	<u>917</u>	<u>535</u>

5 Operating profit

Arrived at after charging/(crediting)

	2022	1 October 2020 to 31 December 2021
	£	£
Depreciation expense	40,123	49,694
Foreign exchange losses	14,476	90,751
Operating lease expense - plant and machinery	-	4,127
Loss on disposal of property, plant and equipment	<u>2,452</u>	<u>660</u>

6 Interest payable and similar expenses

	2022	1 October 2020 to 31 December 2021
	£	£
Interest on bank overdrafts and borrowings	<u>54,100</u>	<u>43,679</u>

Aviation & Defence Spares Group Limited

Notes to the Financial Statements

Year Ended 31 December 2022

7 Staff costs

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

	2022	1 October 2020 to 31 December 2021
	£	£
Wages and salaries	807,524	898,445
Social security costs	87,733	83,945
Pension costs, defined contribution scheme	9,621	10,786
Private health insurance	34,873	43,240
	<u>939,751</u>	<u>1,036,416</u>

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

	2022	1 October 2020 to 31 December 2021
	No.	No.
Staff	12	12
Directors	4	4
	<u>16</u>	<u>16</u>

Aviation & Defence Spares Group Limited

Notes to the Financial Statements

Year Ended 31 December 2022

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022 £	1 October 2020 to 31 December 2021 £
Remuneration	463,272	511,319
Contributions paid to money purchase schemes	2,642	1,649
	<u>465,914</u>	<u>512,968</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2022 No.	1 October 2020 to 31 December 2021 No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

In respect of the highest paid director:

	2022 £	1 October 2020 to 31 December 2021 £
Remuneration	301,927	369,078
Company contributions to money purchase pension schemes	<u>1,321</u>	<u>1,649</u>

9 Auditor's remuneration

	2022 £	1 October 2020 to 31 December 2021 £
Audit of these financial statements	4,000	3,000
Audit of the financial statements of subsidiaries of the company pursuant to legislation	<u>12,500</u>	<u>11,500</u>
	<u>16,500</u>	<u>14,500</u>

Aviation & Defence Spares Group Limited

Notes to the Financial Statements

Year Ended 31 December 2022

10 Taxation

Tax charged/(credited) in the profit and loss account

	Year ended 31 December 2022 £	1 October 2020 to 31 December 2021 £
Current taxation		
UK corporation tax	749,081	618,603
Foreign tax	55,041	18,752
Total current income tax	804,122	637,355
Deferred taxation		
Arising from origination and reversal of timing differences	(2,530)	3,570
Tax expense in the income statement	801,592	640,925

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2021 - higher than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £	1 October 2020 to 31 December 2021 £
Profit before tax	4,162,839	3,289,982
Corporation tax at standard rate	790,939	625,097
Effect of expense not deductible in determining taxable profit (tax loss)	4,294	1,956
Effect of foreign tax rates	5,832	2,855
Other tax effects for reconciliation between accounting profit and tax expense (income)	527	11,017
Total tax charge	801,592	640,925

Aviation & Defence Spares Group Limited

Notes to the Financial Statements

Year Ended 31 December 2022

11 Tangible assets

Group

	Land and buildings £	Furniture, fittings and equipment £	Plant and machinery £	Total £
Cost or valuation				
At 1 January 2022	708,381	234,420	73,296	1,016,097
Additions	-	19,828	-	19,828
Disposals	-	(19,716)	-	(19,716)
At 31 December 2022	708,381	234,532	73,296	1,016,209
Depreciation				
At 1 January 2022	113,432	134,778	62,964	311,174
Charge for the year	11,899	26,674	1,550	40,123
Eliminated on disposal	-	(17,264)	-	(17,264)
At 31 December 2022	125,331	144,188	64,514	334,033
Carrying amount				
At 31 December 2022	583,050	90,344	8,782	682,176
At 31 December 2021	594,949	99,642	10,332	704,923

Included within the net book value of land and buildings above is £583,050 (2021 - £594,949) in respect of freehold land and buildings.

12 Investments

Company

	2022 £	2021 £
Investments in subsidiaries	100	100

Aviation & Defence Spares Group Limited

Notes to the Financial Statements

Year Ended 31 December 2022

Subsidiaries	£
Cost or valuation	
At 1 January 2022	100
At 31 December 2022	100
Carrying amount	
At 31 December 2022	100
At 31 December 2021	100

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2022	2021
Subsidiary undertakings				
Aviation & Defence Spares Limited	Unit 3 Branksome Park Bourne Valley Road Poole Dorset BH12 1DW United Kingdom	Business Ordinary	100%	100%
Aviation & Defence Spares Inc	3411 Silverside Road Tatnall Building 104 Wilmington New Castle 19810 USA	Authorised shares	100%	100%

Subsidiary undertakings

Aviation & Defence Spares Limited

The principal activity of Aviation & Defence Spares Limited is the supply of aviation products.

Aviation & Defence Spares Inc

The principal activity of Aviation & Defence Spares Inc is the supply of aviation products.

Aviation & Defence Spares Group Limited

Notes to the Financial Statements

Year Ended 31 December 2022

13 Stocks

	2022 £	Group 2021 £	2022 £	Company 2021 £
Work in progress	651,019	389,243	-	-
Finished goods and goods for resale	5,153,541	3,264,670	-	-
	<u>5,804,560</u>	<u>3,653,913</u>	<u>-</u>	<u>-</u>

14 Debtors

	Note	2022 £	Group 2021 £	2022 £	Company 2021 £
Trade debtors		5,005,887	5,568,273	-	-
Amounts due from group undertakings	24	-	-	142,675	-
Other debtors		247,665	263,249	54,535	100
Prepayments		68,556	77,253	-	-
Income tax asset	10	11,144	-	-	-
		<u>5,333,252</u>	<u>5,908,775</u>	<u>197,210</u>	<u>100</u>

15 Cash and cash equivalents

	2022 £	Group 2021 £	2022 £	Company 2021 £
Cash at bank	<u>991,422</u>	<u>488,732</u>	<u>-</u>	<u>-</u>

Aviation & Defence Spares Group Limited

Notes to the Financial Statements

Year Ended 31 December 2022

16 Creditors

	Note	2022 £	Group 2021 £	2022 £	Company 2021 £
Due within one year					
Loans and borrowings	17	1,538,316	1,958,043	-	-
Trade creditors		3,880,832	4,209,923	-	-
Corporation tax		426,085	219,385	-	-
Social security and other taxes		32,414	27,323	-	-
Other creditors		204,518	494,201	197,110	-
Accrued expenses		895,632	434,455	-	-
Deferred income		-	141,585	-	-
		<u>6,977,797</u>	<u>7,484,915</u>	<u>197,110</u>	<u>-</u>
Due after one year					
Loans and borrowings	17	-	138,890	-	-

17 Loans and borrowings

	2022 £	Group 2021 £	2022 £	Company 2021 £
Non-current loans and borrowings				
Bank borrowings	-	138,890	-	-
	<u>-</u>	<u>138,890</u>	<u>-</u>	<u>-</u>
Current loans and borrowings				
Bank borrowings	1,538,316	1,958,043	-	-
	<u>1,538,316</u>	<u>1,958,043</u>	<u>-</u>	<u>-</u>

Group

Bank loans in GBP total £797,910 and carry an interest rate of 5.45% and are all due in under one year. Bank loans in USD total £740,406 and carry an interest rate of 6.325% and are also all due in under one year.

18 Provisions for liabilities

Group

	Deferred tax £
At 1 January 2022	24,680
Increase (decrease) in existing provisions	<u>(2,530)</u>
At 31 December 2022	<u>22,150</u>

Aviation & Defence Spares Group Limited

Notes to the Financial Statements

Year Ended 31 December 2022

19 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £9,621 (2021 - £10,786).

20 Share capital

Allotted, called up and fully paid shares

	31 December 2022		31 December 2021	
	No.	£	No.	£
Ordinary shares of £1 each	200	200	200	200

21 Contingent liabilities

Group

There are performance guarantees outstanding at the year end of £338,229 (2021: £330,691). This relates to 10% of sales to three customers.

22 Analysis of changes in net debt

Group

	At 1 January 2022 £	Financing cash flows £	At 31 December 2022 £
Cash and cash equivalents			
Cash	488,732	502,690	991,422
Borrowings			
Long term borrowings	(138,890)	138,890	-
Short term borrowings	(1,958,043)	419,727	(1,538,316)
	<u>(2,096,933)</u>	<u>558,617</u>	<u>(1,538,316)</u>
	<u>(1,608,201)</u>	<u>1,061,307</u>	<u>(546,894)</u>

Aviation & Defence Spares Group Limited

Notes to the Financial Statements

Year Ended 31 December 2022

23 Parent and ultimate parent undertaking

The company is under the control of M Gordon and J Gordon who each own 40% of the issued share capital.

24 Related party transactions

Group

Transactions with directors

	At 1 January 2022 £	Advances to director £	At 31 December 2022 £
2022			
Mr S Brown			
Director loan account	8,000	2,000	10,000
Mr J N M Gordon			
Director loan account	-	54,435	54,435
	At 1 October 2020 £	Repayments by director £	At 31 December 2021 £
2021			
Mr S Brown			
Director loan account	30,000	(22,000)	8,000

The above balances are included in other debtors as at the year end. The loan to Mr J N M Gordon is owed to this company, but the loan to Mr S Brown is owed to a subsidiary company.