

# **Vector Aerospace International Limited**

## **Report and Financial Statements**

31 December 2021



**Vector Aerospace International Limited**  
**Report and Financial Statements**  
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**Directors**

Simon Jones  
Gary Carruthers  
Brent Fawkes  
Michael Scott

**Auditors**

Saffery Champness LLP  
Midland House  
2 Poole Road  
Bournemouth  
Dorset BH2 5QY

**Bankers**

Barclays Bank  
30 St Werburgh Street  
Chester  
Cheshire CH1 2DY

Wells Fargo Bank  
London Branch  
33 King William Street  
London EC4R 9AT

**Registered Office**

Fleetlands  
Fareham Road  
Gosport  
Hampshire PO13 0AA

## Strategic Report

The directors present their Strategic Report for the year ended 31 December 2021.

### Review of the business

The Company's principal activity is the maintenance, repair and overhaul of aircraft, airframes and components, aerospace engines and related services.

The Company's key performance indicators during the year are as follows:

	2021 U\$000's	2020 U\$000's (Restated)	Change (%)
Turnover	119,075	108,897	+9%
Operating Profit/(Loss)	4,776	(444)	+1,176%
Total Equity	90,005	58,285	+54%
Current Assets as % of Current Liabilities	307%	184%	+73%
Average monthly number of employees	572	613	-7%

The business comprises airframe, engine and component MRO (maintenance, repair and overhaul) activity. The primary revenue relates to Chinook (Boeing) and a number of aircraft engines (Rolls-Royce / Pratt & Whitney / Honeywell) and associated components and accessories.

Total equity increased by U\$31.7m largely due to the actuarial defined benefit pension gain of U\$37.7m, the profit for the year recorded in the 2021 financial statements of U\$4.3m (including the U\$3.6m reversal of the 2017 Licence impairment) offset by the related Deferred Tax movement of U\$10.3m.

The directors consider the level of business and the period end financial position to be satisfactory.

### Future Developments

The external commercial environment is expected to remain competitive through 2022 and beyond. However, we expect improvements to our current level of performance in the future, driven by our culture of continuous improvement, and the benefits to the business from being part of the wider StandardAero group.

### Principal Risks and Uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to relate to competition from other aircraft maintenance businesses. The emergence of the COVID-19 global pandemic during early 2020 did create additional uncertainties around the company's operations, however demand remained strong and our operation had minimal interruption.

Other risks include:

- **Legislative risk:** The Company is in compliance with applicable regulations of the aviation industry. Compliance imposes costs and failure to comply with the applicable standards could affect the Company's ability to operate.
- **Revenue risk:** The majority of the revenues earned by the Company are covered by longer term support contracts. Activity levels are based on scheduled maintenance events which are dependent on customer flying hours and the passage of time. Additional revenue can be generated as a result of unexpected damage to the airframe and/or completion of upgrade and modification programmes.

## Strategic Report (continued)

### Section 172 Statement

The directors have a duty to promote the long-term sustainable success of the Company and understand that consideration must be given to wider stakeholders and other factors when making decisions. This duty is reflected in particular when:

- setting, updating and monitoring Company strategy and managing and mitigating risk;
- putting in place policies and procedures to support operational performance and achievement of goals;
- implementing engagement with customers, suppliers, employees and the wider community in which the business operates; and
- assessing the level and depth of information required for decision making and any training and development needs to carry out their duties.

The directors' behaviours are intended to reinforce this duty and help foster the Company's values and culture and align them to the Company's goals and objectives, set within the context of alignment with the interests of all stakeholders, where possible. Further details of stakeholder engagement are provided in the Directors' Report.

By order of the board



S Jones  
Director

Date: 31/10/22

## Directors' Report

The directors present their Directors' Report for the year ended 31 December 2021.

### Results and dividends

The results for the year are set out in the Statement of Comprehensive Income on page 15.

The directors do not recommend the payment of a dividend in the current year (2020: dividend paid in the year of \$nil).

### Directors

The directors during the year and subsequently were as follows:

Simon Jones  
Gary Carruthers  
Brent Fawkes  
Michael Scott

### Directors' liabilities

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' report.

### Post balance sheet events

On 12 July 2022 the Company's preference shares in issue were reclassified and converted to 10,000,000 ordinary shares.

### Going concern

The directors have carried out an assessment of the going concern position of the Company.

The cashflow forecasts prepared for the going concern assessment period, indicate that the Company will maintain appropriate cash and short-term funding balances in place throughout the period through to December 2023. The Company has carried out scenario analysis on the forecasts which have raised no concerns. In addition to the Company's own cash funds held and generated, the directors have also sought and obtained a confirmation of continued financial support from our parent Company StandardAero Aviation Holdings, Inc. This included confirmation that the long-term loan balance of \$75.0m will not mature until July 2027.

On the basis of the above assessment, the Company is considered to have appropriate financial resources to manage its business risks successfully. After reviewing the above, the directors have concluded that they have a reasonable expectation that the Company has adequate resources to continue as a going concern through to the period ending 31 December 2023. Accordingly, they continue to adopt the going concern basis in preparing the Report and Financial Statements.

## Directors' Report (continued)

### Stakeholder engagement statement

Engagement with our stakeholders plays a vital role in the success of the Company. The principal stakeholders impacting the Company are considered to include the following:

- **Customers** – customers are the core of our business and understanding their needs and developing solutions that address these needs is critical to our success. The Company provides services to a number of customers across the global aerospace and defence sector. Collaboration and partnership with all customers is fundamental to our ability to add sustainable value to our existing customers and help ensure the retention of their business, and to the ongoing success of the Company.
- **Suppliers** – collaboration and partnership are also fundamental to our supply chain relationships and there are established ongoing communication mechanisms with preferred suppliers and other supply chain partners. The Company engages with suppliers with an ongoing dialogue in respect of order placement, quality and compliance processes, receipt and payments. The Company works proactively with suppliers to help resolve any issues. The Company undertakes to pay suppliers in line with the government payment practice guidelines.
- **Employees** – The Company operates a framework for employee information and consultation, which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year, the policy of providing employees with information about the Company has been continued through management presentations to employees in which employees have also been encouraged to present their views and suggestions. Regular meetings are held between management and employee representatives so as to promote a free flow of information.

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

- **Shareholders** – The Company undertakes regular sharing of strategy and performance with its parent Company, StandardAero Aviation Holdings, Inc. The Company reports results on a regular monthly basis with a particular focus on customer relationships, supplier performance, profit and loss and cash performance.
- **Society, Communities and Environment** - our culture is supportive of ongoing engagement by our employees with the communities in which they live and engage. The Company is key part of the local community in both Gosport (Hampshire) and Almondbank (Perthshire) as a large local employer. The Company supports local charitable initiatives through various charity committees made up of staff members.

Environmental issues and challenges remain a key focus for the Company. Specific focus has been to segregate waste appropriately and reduce waste going to landfill.

## Directors' Report (continued)

### Energy and Carbon Reporting

Vector Aerospace International Limited operates across three sites in the UK at Gosport and Farnborough in Hampshire, and Almondbank in Perth and Kinross. Management are committed to addressing concerns about climate change and the environment. Reducing emissions creates efficiencies, drives innovation, helps manage long-term risk and improves our competitive advantage.

The company's carbon footprint is presented as follows:

For Financial Year ending 31 December	2021	2020 restated
<b>Indicator</b>		
Energy Consumption (absolute) (kWh)	31,196,448	32,204,103
Energy Intensity Ratio (kWh per \$m revenue)	261,990	295,730
Energy Intensity Ratio (kWh per UK employee)	54,539	52,535
Greenhouse Gas Emissions (Tonnes CO <sub>2</sub> e)	6,798	7,302
Greenhouse Gas Intensity Ratio (Tonnes CO <sub>2</sub> e per \$m revenue)	57	67
Greenhouse Gas Emissions (Tonnes CO <sub>2</sub> e per UK employee)	12	12
<b>Energy Consumption</b>	<b>kWh</b>	<b>kWh</b>
Electricity	10,201,279	10,065,850
Gas	14,328,077	11,591,452
Fuel Oil	6,667,092	10,546,801
<b>Total</b>	<b>31,196,448 kWh</b>	<b>32,204,103 kWh</b>
<b>Greenhouse Gas Emissions</b>	<b>Tonnes CO<sub>2</sub>e</b>	<b>Tonnes CO<sub>2</sub>e</b>
Scope 1 (Emissions from gas and fuel for fleet vehicles)  Includes emissions from activities owned or controlled by the company that release emissions into the atmosphere. Examples include emissions from combustion in owned or controlled boilers, vehicles.	4,420	4,955
Scope 2 (Emissions from electricity (location based))  Includes emissions from own consumption of purchased electricity, heat, steam and cooling. These are a consequence of the company's activities but are from sources not owned/controlled.	2,378	2,347
Scope 3 (Emissions from other indirect consequences of the company's operation)  Includes sources not owned or controlled by the company, and which are not classed as scope 2 emissions.	N/A	N/A
<b>Total</b>	<b>6,798 t CO<sub>2</sub>e</b>	<b>7,302 t CO<sub>2</sub>e</b>



## Directors' Report (continued)

### Energy and Carbon Reporting (continued)

#### Methodology

We have applied the UK Government's Conversion Factors for Company Reporting and GHG standards and the Streamlined Energy and Carbon Reporting guidance to quantify and report our greenhouse gas emissions. An operational control approach has been used to define the reporting process. Emissions for all our significant sites have been disclosed.

Scope 1 comprises direct emissions from the Company's owned and controlled plant and equipment released straight into the atmosphere.

Scope 2 comprises indirect emissions from purchased electricity using a location-based calculation method. These are indirect emissions that are a consequence of the Company's activities but which occur at sources we do not own or control.

#### Energy efficiency measures implemented

The Company has continued with the installation of energy efficient lighting to reduce electricity consumption, which is a project that will be continued until fully complete across all sites. Further projects expected during 2022 to implement destratification fans in our industrial buildings, additional insulation measures and temperature setbacks.

The Company is ISO50001 compliant, which includes a commitment to reduce energy usage by 5% each year.

#### Auditor appointment and reappointment

Saffery Champness LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be reappointed will be put at a General Meeting.

#### Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the board



S Jones  
Director

Date:

31/10/22

## Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' 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 Accounting standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 proper 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.

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## **Independent auditor's report**

### **to the members of Vector Aerospace International Limited**

#### **Opinion**

We have audited the financial statements of Vector Aerospace International Limited for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the related notes 1 to 26, 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 FRS 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 Company's affairs as at 31 December 2021 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 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.

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 there is 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

# **Independent auditor's report (continued)**

## **to the members of Vector Aerospace International 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 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.

### **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 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 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 directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

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## **Independent auditor's report (continued)**

### **to the members of Vector Aerospace International Limited**

#### **Identifying and assessing risks related to irregularities:**

- We assessed the susceptibility of the company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended.
- We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements.
- We identified laws and regulations that are of significance in the context of the company by discussions with directors and updating our understanding of the sector in which the company operates.

Laws and regulations of direct significance in the context of the company include The Companies Act 2006, Export Laws, MOD regulations and UK Tax legislation.

#### **Audit response to risks identified:**

- We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.
- During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, 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 by, for example, forgery or intentional misrepresentations, or through collusion.

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

## **Independent auditor's report (continued)**

**to the members of Vector Aerospace International 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.

*Saffery Champness LLP*

*Jamie Lane (Senior Statutory Auditor)*  
*for and on behalf of Saffery Champness LLP,*  
*Chartered Accountants*  
*Statutory Auditors*  
*Midland House*  
*2 Poole Road*  
*Bournemouth*  
*Dorset*  
*BH2 5QY*

*Date*     3 November 2022

## Statement of Comprehensive Income

for the year ended 31 December 2021

	Notes	2021 U\$000's	2020 U\$000's (Restated)
Turnover	2	119,075	108,897
Cost of sales		(80,970)	(76,734)
Gross profit		38,105	32,163
Administrative expenses		(33,401)	(33,052)
Coronavirus Job Retention Scheme grant		72	445
Operating profit/(loss)	3	4,776	(444)
Exceptional items	6	3,213	(1,103)
Interest payable and similar charges	7	(1,783)	(1,804)
Other financing costs – pension scheme	8	(150)	(238)
Profit/(Loss) on ordinary activities before taxation		6,056	(3,589)
Taxation	9	(1,752)	534
Profit/(Loss) for the financial year		4,304	(3,055)
Other comprehensive income			
Revaluation gain on land and buildings	13	-	13,409
Actuarial gain/(loss) on pension scheme		37,747	(2,288)
Tax on items in other comprehensive income		(10,331)	(2,113)
Total comprehensive income for the year		31,720	5,953

All amounts relate to continuing operations.

## Statement of Changes in Equity

for the year ended 31 December 2021

	<i>Share capital US\$000's</i>	<i>Revaluation reserve US\$000's</i>	<i>Retained earnings US\$000's</i>	<i>Total equity US\$000's</i>
At 1 January 2020 (as previously reported)	-	52,228	(1,733)	50,495
Prior year adjustment (see Note 26)	-	-	1,837	1,837
At 1 January 2020 (as restated)	-	52,228	104	52,332
Loss for the year (as restated) (see Note 26)	-	-	(3,055)	(3,055)
Reserve transfer	-	(1,729)	1,729	-
Land and building revaluation in the year	-	13,409	-	13,409
Actuarial loss on defined benefit pension scheme	-	-	(2,288)	(2,288)
Deferred tax relating to revaluation and actuarial gain	-	(2,548)	435	(2,113)
At 31 December 2020 (as restated)	-	61,360	(3,075)	58,285
Profit for the year	-	-	4,304	4,304
Reserve transfer	-	(1,918)	1,918	-
Actuarial gain on defined benefit pension scheme	-	-	37,747	37,747
Deferred tax relating to revaluation and actuarial gain	-	641	(9,455)	(8,814)
Opening balance adjustment for rate change to 25%	-	(3,122)	1,605	(1,517)
At 31 December 2021	-	56,961	33,044	90,005

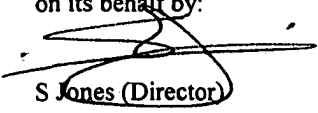


## Statement of Financial Position

as at 31 December 2021

	Note	2021 US\$000's	2020 US\$000's (Restated)
<b>Non-current assets</b>			
Negative goodwill	11	(5,320)	(5,804)
Intangible fixed assets	12	11,581	9,514
Tangible assets	13	107,405	111,973
Post-employment benefits	22	29,293	-
		<u>142,959</u>	<u>115,683</u>
<b>Current assets</b>			
Stocks	14	24,971	22,894
Receivables:	15		
amounts falling due within one year		39,597	34,875
amounts falling due after one year		4,335	7,203
		<u>68,903</u>	<u>64,972</u>
Cash at bank and in hand		<u>14,357</u>	<u>7,454</u>
		83,260	72,426
Payables: amounts falling due within one year	16	(27,153)	(39,437)
<b>Net current assets</b>		<u>56,107</u>	<u>32,989</u>
<b>Total assets less current liabilities</b>		199,066	148,672
Payables: amounts falling due after more than one year	17	(88,499)	(65,802)
Provisions for liabilities	18	(20,562)	(11,252)
<b>Net assets excluding pension liabilities</b>		90,005	71,618
Provision for pension liabilities	22	-	(13,333)
<b>Net assets</b>		<u>90,005</u>	<u>58,285</u>
<b>Capital and reserves</b>			
Called up share capital	19	-	-
Revaluation reserve	20	56,961	61,360
Retained earnings		33,044	(3,075)
<b>Total equity</b>		<u>90,005</u>	<u>58,285</u>

These financial statements were approved by the Board of Directors on 31 October 2022 and were signed on its behalf by:

  
S. Jones (Director)

## Notes to the financial statements

at 31 December 2021

### 1. Authorisation of financial statements and statement of compliance with FRS 102

The financial statements of Vector Aerospace International Limited for the year ended 31 December 2021 were approved for issue by the board of Directors on the date as shown on the Statement of Financial Position. The Company is incorporated and domiciled in England and Wales. Vector Aerospace International Limited is a private Company, limited by shares.

All values are rounded to the nearest thousand except when otherwise indicated.

#### Foreign currency – functional and presentational currencies

The financial statements have been presented in US dollars, including the prior period amounts as the functional currency of the Company is considered to be US dollars.

#### Basis of preparation

The financial statements were prepared under the historical cost convention and in accordance with FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS102) modified to include freehold property at valuation.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2021.

The Company is exempt from the obligation to prepare and deliver group financial statements by virtue of section 400 of the Companies Act 2006, as the Company's parent Company publishes group financial statements in which this Company is included. Accordingly, the financial statements present information about the Company as an individual undertaking and not about its group.

The Company has taken advantage of the following reduced disclosure exemptions under FRS102:

- the requirements of Section 7 'Statement of Cash Flows';
- the requirements of Section 3 'Financial Statement Presentation' paragraph 3.17(d);
- the requirements of Section 11 paragraphs 11.39 to 11.48A and Section 12 paragraphs 12.26 to 12.29 relating to 'Financial Instruments' disclosures; and
- the requirement of Section 33 paragraph 33.7 relating to 'Related Party Transactions' and compensation payments to key management personnel.

The financial statements of the company are consolidated in the financial statements of StandardAero (UK) Holdings Limited. These consolidated financial statements are available from its registered office.

#### Going concern

The directors have carried out an assessment of the going concern position of the Company.

The cashflow forecasts prepared for the going concern assessment period, indicate that the Company will maintain appropriate cash and short-term funding balances in place throughout the period through to December 2023. The Company has carried out scenario analysis on the forecasts which have raised no concerns. In addition to the Company's own cash funds held and generated, the directors have also sought and obtained a confirmation of continued financial support from our parent Company StandardAero Aviation Holdings, Inc. This included confirmation that the long-term loan balance of \$75.0m will not mature until July 2027.

On the basis of the above assessment, the Company is considered to have appropriate financial resources to manage its business risks successfully. After reviewing the above, the directors have concluded that they have a reasonable expectation that the Company has adequate resources to continue as a going concern through to the period ending 31 December 2023. Accordingly, they continue to adopt the going concern basis in preparing the Report and Financial Statements.

## Notes to the financial statements

at 31 December 2021

### Prior year adjustment

During the preparation of the financial statements the directors have identified a material error in the revenue recognition of prior periods. In prior years the MRO service revenue was recognised upon completion and dispatch of the customer asset. This has been changed to recognising the turnover and associated profit on a stage of completion basis. This has been agreed as a more appropriate method of revenue recognition for this type of income as it is probable that the economic benefits associated with the transaction will flow to the company in proportion to the work carried out. See note 26.

### 1.1 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements are considered to have the most significant effect on the amounts recognised in the financial statements:

#### Revenue

Revenue recognised in the business requires management judgement to estimate the stage of completion and profitability of contracts to determine the amount of revenue and profit to be recorded for engine overhauls in progress at the year-end.

#### Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 9.

#### Pension and other post-employment benefits

The cost of defined benefit pensions plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 22.

#### Impairment of intangible assets

Determining whether the carrying value of licences have been impaired requires estimation of the licences' value-in-use. The value-in-use calculations require the entity to estimate the future cash flows expected to arise from the use of these licences and a suitable discount rate in order to calculate the present value. The carrying amount of these licences at the balance sheet date was \$11,581,000 (2020: \$9,472,000) with no impairment loss recognised in 2021.

There are key assumptions inherent in determining the value-in-use for the licences. The directors have used past experience and external sources of information in determining the value assigned to each key assumption.

- Discount rate applied to the cash flow projection is a pre-tax weighted average cost of capital of 12%
- The long term growth rate applied to the cash flow projection is 3%. The directors believe long-term growth rates are supportable on the basis of actions being taken to grow the business.

The directors consider the methodology and assumptions adopted in the impairment calculation are supportable, reasonable and robust.

## Notes to the financial statements

at 31 December 2021

### 1.2 Accounting policies

#### *Revenue recognition*

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. 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. Revenue for maintenance, repair and overhaul (MRO) services is recognised on a percentage completion basis once the terms of the contract have been agreed with the customer and ultimate profitability of the contract can be determined with reasonable certainty. All current contracts are reviewed each period to ensure that there are no indications of a reduction in expected profitability.

Revenue is recognised excluding discounts, rebates, VAT and other sales taxes or duty.

#### *Intangible assets*

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortisation is provided on all intangible assets on a straight-line basis over the expected useful life as follows:

Software: 3 to 5 years

Licences: over period of the licence

The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets are amortised on a straight line basis over the estimated useful lives which are reviewed on an annual basis. The Company has a number of licenses to maintain Original Equipment Manufacturer engines as an approved Maintenance and Repair Organisation. The economic life of the licences is the date at which the rights inferred in the licence terms expire. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Negative Goodwill*

Where the fair value of the separable net assets exceeds the fair value of the consideration for an acquired undertaking, the difference is treated as negative goodwill and is capitalised and amortised through the profit and loss account over the period in which the non-monetary assets acquired are recovered. In the case of fixed assets, this is the period in which they are depreciated, and in the case of current assets, the period over which they are sold or otherwise realised.

#### *Tangible fixed assets*

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs directly attributable to assets under construction are capitalised as part of the cost of that asset.

Land and buildings are recognised initially at cost. With effect from 31 December 2018, land and buildings thereafter are carried at fair value less depreciation and impairment charged subsequent to the date of the revaluation. Fair value is based on periodic valuations by an external independent valuer and is determined from market-based evidence by appraisal. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

## Notes to the financial statements

at 31 December 2021

### 1.2 Accounting policies (continued)

#### *Tangible fixed assets (continued)*

Any revaluation surplus is credited to the revaluation reserve in equity except to the extent that it reverses a decrease in the carrying value of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent of any existing surplus in respect of that asset in the revaluation reserve.

An annual transfer is made from the revaluation reserve to retained earnings for the difference between depreciation based on the carrying amount of the assets and that based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is provided on all property, plant and equipment, other than land, on a straight line basis over its expected useful life as follows:

Buildings	- over 5 to 40 years
Equipment / machinery / tools / furniture	- over 3 to 25 years
Computer hardware	- over 3 to 5 years
Leasehold improvements	- over the term of the lease
Vehicles	- over 3 to 15 years

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Spare parts and consumables	- purchase cost on a first in, first out basis
Work in progress	- cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

#### **Provision for liabilities**

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate can be made.

The estimated liability for costs to be incurred as a result of future warranty claims is recorded in the year in which the revenue is recognised on the basis of warranty terms and historical experience.

## Notes to the financial statements

at 31 December 2021

### 1.2 Accounting policies (continued)

#### **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.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

#### **Foreign currency**

The Company financial statements are presented in USA dollars, which is also the Company's functional currency.

Monetary assets and liabilities denominated in foreign currencies are translated into USA dollars at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into USA dollars at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Income Statement.

#### **Operating leases**

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

#### **Exceptional items**

The Company presents as exceptional items those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow users of the financial statements to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

#### **Income taxes**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exception:

- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

## Notes to the financial statements

at 31 December 2021

### 1.2 Accounting policies (continued)

#### *Trade and other debtors*

Trade debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

#### *Pensions*

The Company operates defined benefit pension schemes, which require contributions to be made to separately administered funds.

The cost of providing benefits under the defined benefit plans is determined using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in the income statement as other finance revenue or cost.

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value of plan assets is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

## Notes to the financial statements

at 31 December 2021

### 2. Turnover

Turnover is attributable to one continuing operation, the repair and overhaul support of aircraft and related aircraft engines and components.

An analysis of turnover by geographical market is given below:

	2021 US\$000's	2020 US\$000's (Restated)
United Kingdom	32,278	31,301
North America	45,670	51,382
Rest of the World	41,127	26,214
	<u>119,075</u>	<u>108,897</u>

### 3. Operating (loss)

This is stated after charging / (crediting):

	2021 US\$000's	2020 US\$000's
Auditors' remuneration – audit services	73	119
Operating lease rentals – land and buildings	160	143
– other	236	200
Depreciation of tangible fixed assets	5,358	5,318
Amortisation of intangible assets	1,521	1,624
Amortisation of other intangible assets – negative goodwill	(484)	(484)
Foreign exchange losses/gains	92	(134)
Coronavirus Job Retention Scheme grant	(72)	(445)



## Notes to the financial statements

at 31 December 2021

### 4. Directors' remuneration

	2021 US\$000's	2020 US\$000's
Aggregate remuneration in respect of qualifying services	608	403
Aggregate amounts payable in respect of defined contributions pension scheme	34	31
Highest paid director:		
Aggregate remuneration in respect of qualifying services	387	246
Aggregate amounts payable in respect of defined contributions pension scheme	21	18
	2021 No.	2020 No.
Number of directors accruing benefits under defined contribution schemes	2	2

Directors residing in the UK are remunerated through the Company and provide all their services to the Company. Other overseas based directors, who do not provide qualifying services to the Company, are remunerated by other companies within the wider group.

### 5. Staff costs

	2021 US\$000's	2020 US\$000's
Wages and salaries	33,350	32,550
Social security costs	3,519	3,367
Defined benefit pension service cost (note 22)	432	390
Defined contribution pension costs	2,666	2,752
	39,967	39,059

The average monthly number of employees during the period was as follows:

	2021 No.	2020 No.
Administration	229	252
Production	343	361
	572	613

## Notes to the financial statements

at 31 December 2021

### 6. Exceptional items

	2021 U\$000's	2020 U\$000's
Write-back of intangible asset impairment charge recorded in a prior period (see Note 12)	(3,588)	-
Group restructuring costs	375	1,103
Total exceptional (credit)/expense	(3,213)	1,103

### 7. Interest payable and similar charges

	2021 U\$000's	2020 U\$000's
Dividends due on preference shares (see note 10)	410	384
Group interest payable	1,338	1,374
Other interest payable	35	46
Net interest payable	1,783	1,804

### 8. Other financing costs – pension scheme

	2021 U\$000's	2020 U\$000's
Interest income on pension scheme assets (see note 22)	(1,940)	(2,306)
Interest cost on pension scheme liabilities (see note 22)	2,090	2,544
Net interest payable	150	238

## Notes to the financial statements

at 31 December 2021

### 9. Taxation

#### (a) Tax on profit on ordinary activities

	2021 US\$000's	2020 US\$000's (Restated)
Current tax:		
UK corporation tax at 19.00% (2020 – 19.00%)	-	-
Adjustment to tax in respect of previous periods	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	2,436	(504)
Adjustment to tax in respect of previous periods	(215)	(30)
Adjustment for rate change to 25%	(469)	-
Tax charge/(credit) on profit on ordinary activities	1,752	(534)

	2021 US\$000's	2020 US\$000's
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#### (b) Factors affecting total tax charge

The tax assessed on the profit on ordinary activities differs from the standard rate of corporation tax in the UK as follows:

Profit/(loss) on ordinary activities before tax	6,056	(3,589)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2020 – 19.00%)	1,151	(682)
Net income not deductible for tax purposes	(680)	(461)
Other differences (including losses)	1,496	639
Adjustments to tax charge in respect of previous periods	(215)	(30)
Total tax charge/(credit) for the year (note 9(a))	1,752	(534)

## Notes to the financial statements

at 31 December 2021

### 9. Taxation (continued)

(c) Deferred tax recognised at year end:

	2021 US\$000's	2020 US\$000's (Restated)
Deferred tax assets in respect of:		
Pension scheme	2	2,560
Other timing differences (including tax losses)	3,293	4,643
Adjustment for rate change to 25%	1,040	-
Deferred tax asset recognised (note 15)	<u>4,335</u>	<u>7,203</u>
Deferred tax liabilities in respect of:		
Land and building revaluation	(9,400)	(9,888)
Accelerated capital allowances and other timing differences	(472)	(1,209)
Pension scheme	(7,321)	-
Adjustment for rate change to 25%	(3,117)	-
Deferred tax liability recognised (note 18)	<u>(20,310)</u>	<u>(11,097)</u>

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25% which is due to be effective from 1 April 2023. These changes were enacted at the balance sheet date and so have been reflected in the measurement of deferred tax balances at year end.

### 10. Dividends and other appropriation

The directors did not recommend the payment of a dividend for the current year (2020: US\$nil). The dividend payable on the cumulative preference shares of \$410,000 (2020: \$384,000) is shown as a finance cost within net interest (see note 7).

**Notes to the financial statements**

at 31 December 2021

**11. Negative goodwill**

	<i>US\$000's</i>
Cost:	
At 1 January 2021 and 31 December 2021	<u>(13,245)</u>
Amortisation:	
At 1 January 2021	7,441
Provided during the period	484
At 31 December 2021	<u>7,925</u>
Net book value:	
At 31 December 2021	<u>(5,320)</u>
At 1 January 2021	<u>(5,804)</u>

Negative goodwill relates to the purchase of the business from the Defence Aviation and Repair Agency in 2008. It reflects the difference between the fair value of the net assets acquired and the purchase consideration, and is being amortised over the depreciation period of the related tangible fixed assets, or released on sale, whichever is sooner. The remaining amortisation period is currently 11 years (to 2032).

## Notes to the financial statements

at 31 December 2021

### 12. Intangible fixed assets

	<i>Software</i>	<i>Licences</i>	<i>Total</i>
	<i>US\$000's</i>	<i>US\$000's</i>	<i>US\$000's</i>
Cost:			
At 1 January 2021	1,474	27,606	29,080
At 31 December 2021	1,474	27,606	29,080
Amortisation:			
At 1 January 2021	1,432	18,134	19,566
Provided during the year	42	1,479	1,521
Prior year impairment charge reversed	-	(3,588)	(3,588)
At 31 December 2021	1,474	16,025	17,499
Net book value:			
At 31 December 2021	-	11,581	11,581
At 1 January 2021	42	9,472	9,514

The licenses relate to payments to aircraft engine manufacturers to become authorised maintenance facilities. The amounts are amortised on a straight line basis over the remaining life of the license.

The impairment review of licences was carried out initially in 2017 following the acquisition of the company by StandardAero Aviation Holdings, Inc., and the uncertainty over the levels of future revenues and related margins that would arise from the products on which the licences related. Revenue and margins since 2017 have been higher than initially forecast, and accordingly further impairment reviews have been performed. Following the 2019 and 2021 review, part of the impairment provision recorded in 2017 was written back so as to restate the carrying book value of the intangible asset. Key assumptions inherent in the impairment value-in-use calculation have included revenue and margin forecasts over the remaining useful life of the intangible asset based on actual amounts achieved since 2017, and a pre-tax weighted average cost of capital of 12.0%.

## Notes to the financial statements

at 31 December 2021

### 13. Tangible fixed assets

	<i>Land and buildings US\$000's</i>	<i>Plant and machinery US\$000's</i>	<i>Total US\$000's</i>
Cost:			
At 1 January 2021	96,482	45,502	141,984
Additions	120	715	835
Disposals	-	(312)	(312)
At 31 December 2021	96,602	45,905	142,507
Depreciation:			
At 1 January 2021	-	30,011	30,011
Provided during the year	2,562	2,796	5,358
Disposals	-	(267)	(267)
At 31 December 2021	2,562	32,540	35,102
Net book value:			
At 31 December 2021	94,040	13,365	107,405
At 1 January 2021	96,482	15,491	111,973

Included within land and buildings is freehold land with a carrying amount of US\$45,995,658 (2020: US\$45,995,522).

The land and buildings were last fully valued on the basis of open market value by an independent valuer (Gesvalt S.A.) with a recognised and relevant professional qualification, as at 31 December 2020, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. A revaluation gain of US\$13,408,806 was recorded in 2020.

The comparable amounts for land and buildings determined according to the historical cost accounting rules are as follows:-

	<i>US\$000's</i>
At 31 December 2021	25,263
At 1 January 2021	25,897

## Notes to the financial statements

at 31 December 2021

### 14. Stocks

	2021 U\$000's	2020 U\$000's (Restated)
Spare parts and consumables	21,567	17,795
Work in progress	3,404	5,099
	<u>24,971</u>	<u>22,894</u>

### 15. Receivables

#### Amounts falling due within one year:

	2021 U\$000's	2020 U\$000's (Restated)
Trade receivables	14,524	13,454
Amounts recoverable on contracts	22,996	18,336
Other receivables	1,224	2,287
Prepayments and accrued income	853	798
	<u>39,597</u>	<u>34,875</u>

#### Amounts falling due after more than one year:

	2021 U\$000's	2020 U\$000's
Deferred tax asset (see Note 9c)	4,335	7,203
	<u>4,335</u>	<u>7,203</u>



## Notes to the financial statements

at 31 December 2021

### 16. Payables: amounts falling due within one year

	2021 US\$000's	2020 US\$000's
Trade payables	4,438	4,203
Amounts owed to group undertakings	9,980	26,987
Other taxes and social security costs	1,722	1,707
Other payables	1,420	319
Accruals and deferred income	9,593	6,221
	<u>27,153</u>	<u>39,437</u>

### 17. Payables: amounts falling due after more than one year

	2021 US\$000's	2020 US\$000's
Amounts owed to group undertakings	75,000	52,200
Liability component of preference shares	13,499	13,602
	<u>88,499</u>	<u>65,802</u>

Included in the balance above is a loan of \$75,000,000 (2020: \$52,200,000) which is repayable on 1 July 2027. The rate of interest payable on this loan shall be equal to the three month average of the monthly long term Applicable Federal Rate as published by United States Internal Revenue Service.

The preference shares carry a dividend of 3.0% per annum, payable in four instalments each year. The dividend rights on these shares are cumulative.

## Notes to the financial statements

at 31 December 2021

### 18. Provisions for liabilities

	<i>Deferred tax U\$000's</i>	<i>Warranties U\$000's</i>	<i>Total U\$000's</i>
At 1 January 2021	11,097	155	11,252
Net charge in the year	9,213	97	9,310
At 31 December 2021	<u>20,310</u>	<u>252</u>	<u>20,562</u>

Deferred tax: see note 9 for analysis of net deferred tax liability.

Warranties: A provision is recognised for potential warranty claims. It is expected that these costs will normally be incurred within two years of the balance sheet date.

### 19. Called-up share capital

	<i>Allotted, called up and fully paid</i>	
	<i>2021 US</i>	<i>2020 US</i>
100 ordinary shares of £1 each (2020: 100 shares)	128	128
Share capital classified as equity	<u>128</u>	<u>128</u>

The ordinary shares each carry the right to one vote.

### 20. Reserves

The revaluation reserve is used to record the increase in the fair value of land and buildings and decreases to the extent that such decreases relates to an increase on the same asset previously recognised in equity net of related deferred tax.

## Notes to the financial statements

at 31 December 2021

### 21. Obligations under leases and hire purchase contracts

#### *Operating lease agreements:*

The Company has entered into commercial leases on certain motor vehicles and items of plant and machinery. These leases have duration of between 1 and 4 years.

The Company has entered into one property lease agreement that contains an option for renewal, with such option being exercisable up to three months before the expiry of the lease term at rentals based on market prices at the time of exercise.

There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments under operating leases are as follows:

	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	<i>2021</i>	<i>2021</i>	<i>2020</i>	<i>2020</i>
	<i>U\$000's</i>	<i>U\$000's</i>	<i>U\$000's</i>	<i>U\$000's</i>
Operating leases future minimum lease payments due:				
Within one year	158	165	145	180
Within two to five years	434	282	544	312
	<u>592</u>	<u>447</u>	<u>689</u>	<u>492</u>

### 22. Pension commitments

Vector Aerospace International Limited operates two defined benefit schemes in the UK which provides both pensions in retirement and death benefits to members. Pension benefits are related to the members' final salary at retirement (or their career average re-valued salary) and their length of service.

The main scheme is the Vector Aerospace International Limited Pension Scheme ('the Scheme'). The Scheme has been closed to future accrual since April 2012.

On 1 July 2015, Vector Aerospace International Limited replaced its fellow subsidiary Vector Aerospace Engine Services UK Limited as Principal Employer to the Vector Aerospace 1998 Pension Plan ('the Plan'). The Plan has been closed to future accrual since July 2015.

Combined Company contributions to the Scheme and the Plan for 2022 are expected to be US\$4,376,000.

## Notes to the financial statements

at 31 December 2021

### 22. Pension commitments (continued)

The latest full actuarial valuation of the Scheme was carried out as at 31 March 2021 and of the Plan as at 31 March 2021. These have been updated to 31 December 2021 by a qualified independent actuary (XPS Pensions). The major assumptions used by the actuary were (in nominal terms) as follows:

	As at 31 Dec 2021	As at 31 Dec 2020
Discount rate	1.90%	1.35%
Rate of increase in RPI price inflation	3.05%	3.05%
Rate of increase in CPI price inflation	2.15%	2.15%
Rate of increase in salaries	3.80%	3.80%
Rate of increase to pensions in payment - Scheme	3.05%	3.05%
Rate of increase to pensions in payment (pre 1 April 2007) - Plan	3.00%	3.00%
Rate of increase to pensions in payment (on or after 1 April 2007) - Plan	2.15%	2.15%

The expected future lifetime of a male pensioner aged 65 is 20.6 years. For a future male pensioner retiring in 20 years, this increases to 21.6 years. The expected future lifetime of a female pensioner aged 65 is 23.3 years. For a future female pensioner retiring in 20 years, this increases to 24.5 years.

The assets in the scheme were:

	31 Dec 2021 US\$000's	31 Dec 2020 US\$000's
Equities	33,747	41,621
UK and global government bonds and swaps	57,640	43,388
UK and global corporate bonds	54,536	50,054
UK Property	6,209	3,943
Cash and other	4,185	1,632
Fair value of pension assets (combined Scheme and Plan)	156,317	140,638
The actual return on assets over the period was:	14,345	20,147
Present value of pension obligations (combined Scheme and Plan)	(121,895)	(153,971)
Fair value of pension assets	156,317	140,638
Net pension surplus/(deficit) recorded by actuarial valuation	34,422	(13,333)
Net pension surplus/(deficit) recorded in statement of financial position	29,293	(13,333)

## Notes to the financial statements

at 31 December 2021

### 22. Pension commitments (continued)

The Trust Deed for 'the Scheme' provides the Company with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. Based on these rights, any net surplus in the scheme is recognised in full.

Conversely, the Company has no right to recover the surplus on 'the Plan' so it has been capped at \$0 as required by FRS102 section 28.22.

#### Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	2021 U\$000's	2020 U\$000's
Benefit obligation at beginning of year	153,971	127,466
Interest cost	2,090	2,544
Actuarial (gains)/losses	(31,338)	20,007
Benefits paid	(2,290)	(1,691)
Foreign exchange adjustment	(538)	5,645
Benefit obligation at end of year	121,895	153,971

#### Reconciliation of opening and closing balances of the fair value of pension assets

	2021 U\$000's	2020 U\$000's
Fair value of scheme assets at beginning of year	140,638	114,191
Interest income on scheme assets	1,940	2,306
Return on assets, excluding interest income	12,404	17,841
Contributions by employers	5,455	3,181
Benefits paid	(2,290)	(1,691)
Scheme administrative cost	(432)	(390)
Foreign exchange adjustment	(1,398)	5,200
Fair value of scheme assets at end of year	156,317	140,638

#### Amounts recognised in the income statement:

	2021 U\$000's	2020 U\$000's
Service cost (administrative costs)	432	390
Net interest on the net defined benefit liability	150	238
Total expense recognised in year	582	628

## Notes to the financial statements

at 31 December 2021

### 22. Pension commitments (continued)

#### Amounts recognised in Other Comprehensive Income:

	2021 U\$000's	2020 U\$000's
Actuarial gains/(losses) on the liabilities	31,338	(20,007)
Return on assets, excluding interest income	12,404	17,841
Foreign exchange adjustment	(866)	(122)
Adjustment to restrict 'the Plan' to zero as per FRS102	(5,129)	-
Net actuarial gains/(losses) recognised in year	37,747	(2,288)

#### Sensitivity analysis

The results in the pension disclosures are inherently volatile, particularly the net pension liability recorded in the statement of financial position. These are dependent on the assumptions chosen by the directors.

The table below shows the sensitivity of the balance sheet position to changes in assumptions to illustrate this volatility:

	31 Dec 2021 U\$m	31 Dec 2020 U\$m
Present value of pension liabilities of U\$121.9m (2020: U\$154.0m) when increasing the following assumptions by 1% p.a.:		
Discount rate	97.9	119.8
Retail price inflation	153.9	199.4
Mortality (increase life expectancy by 1 year)	127.6	161.5
Present value of pension liabilities of U\$121.9m (2020: U\$154.0m) when decreasing the following assumptions by 1% p.a.:		
Discount rate	156.2	202.9
Retail price inflation	98.5	120.9
Mortality (reduce life expectancy by 1 year)	117.2	146.5

The above sensitivity analysis is based on the full actuarial valuation of the Scheme as at 31 March 2021 updated to 31 December 2021 and the full actuarial valuation of the Plan as at 31 March 2021 updated to 31 December 2021 by a qualified independent actuary.

### 23. Post balance sheet events

On 12 July 2022 the Company's preference shares in issue were reclassified and converted to 10,000,000 ordinary shares.

## Notes to the financial statements

at 31 December 2021

### 24. Related Party Transactions

The Company has taken advantage of the FRS102 exemption not to disclose transactions between wholly owned subsidiaries and other group companies within the same group.

### 25. Ultimate parent undertaking

The directors consider the ultimate parent undertaking and controlling party to be The Carlyle Group.

Vector Aerospace (UK Holdings) Limited is the immediate holding Company. Copies of the financial statements of this Company may be obtained from its registered office, Fleetlands, Fareham Road, Gosport, Hampshire, PO13 0AA.

### 26. Prior year adjustment

The accounts have been restated for the impact of the change in recognition of MRO service revenue and associated costs to recognising revenue based on stage of completion. As a consequence the 2020 results have been adjusted and the impact of the prior year adjustment on the comparative figures is detailed below:

#### Changes to Balance Sheet:

	As previously reported	Adjustment	As restated at 31 Dec 2020
	US000's	US000's	US000's
<b>Debtors due within one year:</b>			
Trade receivables	13,454	18,336	31,790
<b>Stocks</b>			
Work in progress	20,781	(15,682)	5,099
<b>Capital and reserves</b>			
Retained earnings	(5,225)	2,150	(3,075)

#### Changes to Profit and Loss account:

	As previously report	Adjustment	As restated at 31 Dec 2020
	US000's	US000's	US000's
Turnover	106,272	2,625	108,897
Cost of sales	(74,495)	(2,239)	(76,734)
Gross profit	31,777	386	32,163
Taxation	607	(73)	534
(Loss)/profit for the financial year	(3,368)	313	(3,055)