

Company Registration No. 00572109 (England and Wales)

AERCO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

AERCO LIMITED

COMPANY INFORMATION

Directors	Mr R Laughton Ms F G Ayres Mr H C Laughton Mrs N A Still
Company number	00572109
Registered office	Units 16-17 Lawson Hunt Industrial Park Broadbridge Heath Horsham RH12 3JR
Auditor	Carpenter Box 5 Peveril Court 6-8 London Road Crawley West Sussex RH10 8JE

AERCO LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3
Directors' responsibilities statement	4
Independent auditor's report	5 - 7
Statement of comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Notes to the financial statements	11 - 19

AERCO LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2022

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

Principle activities

The company's principal activity is the supply of components to the aeronautical, transportation, medical equipment and industrial manufacturing industries. The statement of financial position remains strong with net assets £3,729,239 (2021 - £3,015,656).

Fair review of business

Following restructuring of the company in the previous year, partly in response to Covid-19 impacts, combined with a focus on gross profit margins the company has increased gross profit and decreased administrative expenses to raise profitability to 7.6%.

The new ICT system went live in May 2021 and provides efficiencies that will enable further increases in business levels without additional staffing requirements.

Aerco's Quality Management System was audited during the year by BSI and the company retained the ISO9001:2015 Quality Management Approval for the coming 5 year cycle.

The company has responded to improvements in the Covid-19 environment by enabling most staff to return to full time office working while supporting some staff working mostly remotely from home which, for certain roles, actually increases their efficiency.

During the year the company has received order bookings over 10% in excess of orders billed, resulting in an order book backlog valued at £7.5m of sales at the end of the financial year.

Financial instruments and risks

The company holds or issues financial instruments to finance its operation. Operations are financed by retained earnings. Working capital requirements are met out of retained earnings. In addition, various financial instruments such as trade receivables and trade payables arise directly from the company's operations. The company does not enter into any hedging arrangements.

The company is mainly exposed to credit risk from credit sales. It is company policy to assess the credit risk of new customers and to factor the information from these credit ratings into future dealings with the customers. At the statement of financial position date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The company undertakes a limited number of foreign currency transactions and is therefore exposed to foreign exchange risk. To part manage this risk, the company maintain foreign currency bank accounts into which foreign company receipts from customers are deposited and from which payments to suppliers are made. From time-to time transfers are then made between the foreign currency and Sterling bank accounts.

The directors carefully monitor the liquidity and cash flow risk of the group of which the company is a member. The group has investments in liquidity funds with the group's bankers which are used to manage fluctuations in cash flow. Cash flow is monitored by the directors on a regular basis.

Future developments

The breadth of markets and the types of business which the company serves provide resilience to the business. The aircraft manufacturing market is resurging and investment in the UK rail infrastructure is high. The growth of the Electric Vehicle market is also bringing new opportunities.

Aerco's franchise agreements with suppliers provide significant competitive advantages to the company and further franchises are expected to add to the breadth of product ranges that can be offered to our customer base. In addition, such additions to our franchises also provide opportunities to extend our business to new customers for Aerco.

AERCO LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

Key performance indicators (KPIs)

The company employs several financial KPIs which it uses to monitor and control the development of the business. These are split between the financial performance KPIs of margin and staff costs against gross profit and the financial position KPIs of inventory turnover and receivable days. The majority of these are currently running better than target.

	2022	2021
	£	£
Revenue	13,749,292	14,537,393
Gross profit £	4,169,184	3,718,324
Gross profit %	30	26
Staff costs £	1,869,781	1,910,462
Staff costs % of gross profit	45	51
Inventory turnover	2	2
Receivables days	66	85

On behalf of the board

Mr R Laughton
Director

22 September 2022

AERCO LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

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

Results and dividends

The results for the year are set out on page 8.

During the year ordinary dividends were paid amounting to £137,750 (2021: £158,171). The directors do not recommend payment of a further dividend for the year ended 31 March 2022.

Directors

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

Mr P L White	(Resigned 30 June 2021)
Mr R Laughton	
Ms F G Ayres	
Mr H C Laughton	
Mrs N A Still	

Auditor

The auditor, Carpenter Box, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

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

Matters covered in the strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of financial instruments, principal risks and uncertainties, future development and principal activities.

COVID-19 assessment

The directors have undertaken a robust assessment of the company's future trading prospects and have concluded that the company remains a going concern. See note 1.3 to the financial statements for further detail.

On behalf of the board

Mr R Laughton
Director

22 September 2022

AERCO LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

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

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

AERCO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AERCO LIMITED

Opinion

We have audited the financial statements of AERCO Limited (the 'company') for the year ended 31 March 2022 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

AERCO LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AERCO LIMITED

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

Auditor's responsibilities for the audit of the financial statements

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

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

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- Obtaining an understanding of the legal and regulatory framework that the company operates in, focusing on those laws and regulations that had a direct effect on the financial statements and operations;
- Obtaining an understanding of the company's policies and procedures on fraud risks, including knowledge of any actual, suspected or alleged fraud; and
- Discussing among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud through our knowledge and understanding of the company and our sector-specific experience.

As a result of these procedures, we considered the opportunities and incentives that may exist within the company for fraud. We are also required to perform specific procedures to respond to the risk of management override. As a result of performing the above, we identified the following areas as those most likely to have an impact on the financial statements: health & safety, employment law and compliance with the UK Companies Act.

AERCO LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF AERCO LIMITED

In addition to the above, our procedures to respond to risks identified included the following:

- Making enquiries of management about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of meetings of the board and senior management
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to stock provisions; and
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.

Due to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognise the non-compliance.

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

Use of our report

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

Robert Dowling FCA (Senior Statutory Auditor)
For and on behalf of Carpenter Box
Chartered Accountants
Statutory Auditor
Crawley

22 September 2022

Carpenter Box is a trading name of Carpenter Box Limited



AERCO LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

		2022	2021
	Notes	£	as restated £
Revenue	5	13,749,292	14,537,393
Cost of sales		(9,580,108)	(10,819,069)
Gross profit		4,169,184	3,718,324
Distribution costs		(341,596)	(462,931)
Administrative expenses		(2,768,106)	(3,050,973)
Other operating income		-	61,415
Exceptional item	4	-	(46,194)
Operating profit	6	1,059,482	219,641
Finance costs		(10,323)	(14,660)
Profit before taxation		1,049,159	204,981
Tax on profit	10	(197,826)	(67,231)
Profit for the financial year		851,333	137,750

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

AERCO LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2022

		2022		2021 as restated	
	Notes	£	£	£	£
Current assets					
Inventories	12	5,700,085		4,974,813	
Trade and other receivables	13	2,612,585		3,498,088	
Cash and cash equivalents		492,646		13,382	
		<u>8,805,316</u>		<u>8,486,283</u>	
Current liabilities	14	(4,858,963)		(5,031,949)	
Net current assets			3,946,353		3,454,334
Non-current liabilities	15		(217,114)		(438,678)
Net assets			3,729,239		3,015,656
Equity					
Called up share capital	18		794,313		794,313
Share premium account			6,000		6,000
Retained earnings			2,928,926		2,215,343
Total equity			3,729,239		3,015,656

The financial statements were approved by the board of directors and authorised for issue on 22 September 2022 and are signed on its behalf by:

Mr R Laughton
Director

Company Registration No. 00572109

AERCO LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Share capital	Share premium account	Retained earnings	Total
Notes	£	£	£	£
Balance at 1 April 2020	794,313	6,000	2,235,764	3,036,077
Year ended 31 March 2021:				
Profit and total comprehensive income for the year	-	-	137,750	137,750
Dividends	11	-	(158,171)	(158,171)
Balance at 31 March 2021	794,313	6,000	2,215,343	3,015,656
Year ended 31 March 2022:				
Profit and total comprehensive income for the year	-	-	851,333	851,333
Dividends	11	-	(137,750)	(137,750)
Balance at 31 March 2022	794,313	6,000	2,928,926	3,729,239

AERCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

Company information

AERCO Limited is a private company limited by shares incorporated in England and Wales. The registered office is Units 16-17, Lawson Hunt Industrial Park, Broadbridge Heath, Horsham, RH12 3JR.

1.1 Accounting convention

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

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1.

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

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 26 'Share based Payment': Share based payment arrangements required under FRS 102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

1.2 Prior period error

During the compilation of the current year financial statements, the directors identified stock in transit, which was previously unrecognised in the accounts. This has resulted in an increase of £400,000 to both stock and trade creditors and there has been no impact to either reported net profit or net assets as a result of this adjustment.

1.3 Going concern

The financial statements have been prepared on a going concern basis. The directors have considered relevant information, including the annual budget, forecast future cash flows and the impact of subsequent events in making their assessment. The COVID-19 pandemic and the ensuing economic shutdown has had some impact on the company's operations. In response to the COVID-19 pandemic, the directors have performed a robust analysis of forecast future cash flows taking into account the potential impact on the business of possible future scenarios arising from the impact of COVID-19. This analysis also considers the effectiveness of available measures to assist in mitigating the impact.

Based on these assessments and having regard to the resources available to the entity, the directors have concluded that there is no material uncertainty in relation to the appropriateness of continuing to adopt the going concern basis in preparing the annual report and accounts.

1.4 Revenue

Revenue is recognised at the fair value of the consideration received or receivable for goods provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

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

AERCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies (Continued)

1.5 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

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

1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include deposits held at call with banks.

1.7 Financial instruments

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

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The company enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans from related parties.

Debt instruments like loans and other accounts receivable and payable are initially measured at present value of the future payments and subsequently at amortised cost using the effective interest method; Debt instruments that are payable or receivable within one year are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity. Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.8 Equity instruments

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

1.9 Taxation

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

Current tax

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

AERCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies (Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

1.11 Retirement benefits

Contributions payable to the company's pension schemes are charged to the profit and loss account in the period to which they relate.

1.12 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.13 Government grants

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

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.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in profit or loss for the period.

2 Change in accounting policy

In the course of preparing the financial statements, the directors have decided to include certain costs within administrative costs, as opposed to distribution costs. The directors believe this will provide more reliable and relevant information to the users.

The comparative period has been adjusted to reclassify £106,159 previously included within distribution costs as administrative costs. The effect of these adjustments on current and previously reported retained earnings is nil.

3 Judgements and key sources of estimation uncertainty

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

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

AERCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

3 Judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

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

Inventory provision

A inventory provision is booked for cases where the net realisable value from sales of the stock item is estimated to be lower than the stock carrying value. The provision is estimated taking into account various factors, including prevailing sales prices of stock items, and losses associated with slow moving stock items. This annual impairment for the year totalled £47,131 (2021: £352,174).

Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

4 Exceptional item

	2022	2021
	£	£
Expenditure		
Staff redundancies	-	46,194

5 Revenue

The total revenue of the company for the current and comparative year has been derived wholly from its principal activity.

	2022	2021
	£	£
Other significant revenue		
Grants received	-	61,415

	2022	2021
	£	£
Revenue analysed by geographical market		
United Kingdom	12,253,804	13,420,737
Europe	1,113,033	848,812
Rest of the world	382,455	267,844
	<u>13,749,292</u>	<u>14,537,393</u>

AERCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

6 Operating profit	2022	2021
Operating profit for the year is stated after charging/(crediting):	£	£
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(13,299)	(1,897)
Government grants	-	(61,415)
Operating lease charges	17,266	16,829
	<u> </u>	<u> </u>
7 Auditor's remuneration	2022	2021
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the company	13,500	13,500
	<u> </u>	<u> </u>
8 Employees		
The average monthly number of persons (including directors) employed by the company during the year was:		
	2022	2021
	Number	Number
Office and management	29	45
Manufacturing	12	5
	<u> </u>	<u> </u>
Total	41	50
	<u> </u>	<u> </u>
Their aggregate remuneration comprised:		
	2022	2021
	£	£
Wages and salaries	1,636,656	1,655,873
Social security costs	169,637	175,310
Pension costs	63,488	79,309
	<u> </u>	<u> </u>
	1,869,781	1,910,492
	<u> </u>	<u> </u>
9 Directors' remuneration	2022	2021
	£	£
Remuneration for qualifying services	164,417	238,165
Company pension contributions to defined contribution schemes	6,536	19,654
	<u> </u>	<u> </u>
	170,953	257,819
	<u> </u>	<u> </u>

AERCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

9 Directors' remuneration (Continued)

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2021 - 3).

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

	2022 £	2021 £
Remuneration for qualifying services	n/a	80,000
Company pension contributions to defined contribution schemes	n/a	717
	<u> </u>	<u> </u>

As total directors' remuneration was less than £200,000 in the current year, no disclosure is provided for that year.

10 Taxation

	2022 £	2021 £
Current tax		
UK corporation tax on profits for the current period	200,000	70,000
Adjustments in respect of prior periods	(2,174)	(2,769)
	<u> </u>	<u> </u>
Total current tax	197,826	67,231
	<u> </u>	<u> </u>

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

	2022 £	2021 £
Profit before taxation	1,049,159	204,981
	<u> </u>	<u> </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	199,340	38,946
Tax effect of expenses that are not deductible in determining taxable profit	1,581	28,879
Group relief	(3,203)	-
Under/(over) provided in prior years	(2,174)	(2,769)
Rounding	2,282	2,175
	<u> </u>	<u> </u>
Taxation charge for the year	197,826	67,231
	<u> </u>	<u> </u>

11 Dividends

	2022 £	2021 £
Interim paid	137,750	158,171
	<u> </u>	<u> </u>

AERCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

12 Inventories		2022	2021
		£	as restated £
Finished goods and goods for resale		5,700,085	4,974,813
		<u> </u>	<u> </u>
13 Trade and other receivables		2022	2021
Amounts falling due within one year:		£	£
Trade receivables		2,496,124	3,391,776
Other receivables		10,095	3,597
Prepayments and accrued income		106,366	102,715
		<u> </u>	<u> </u>
		2,612,585	3,498,088
		<u> </u>	<u> </u>
14 Current liabilities		2022	2021
		£	as restated £
	Notes		
Bank loans	16	221,642	168,706
Trade payables		1,899,897	1,883,263
Amounts owed to group undertakings		1,990,222	2,128,868
Corporation tax		200,000	70,000
Other taxation and social security		305,133	635,003
Other payables		79,856	-
Accruals and deferred income		162,213	146,109
		<u> </u>	<u> </u>
		4,858,963	5,031,949
		<u> </u>	<u> </u>
15 Non-current liabilities		2022	2021
		£	£
	Notes		
Bank loans and overdrafts	16	217,114	438,678
		<u> </u>	<u> </u>
Amounts included above which fall due after five years are as follows:			
Payable by instalments		-	52,426
		<u> </u>	<u> </u>

AERCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

16 Borrowings	2022	2021
	£	£
Bank loans	438,756	607,384
Payable within one year	221,642	168,706
Payable after one year	217,114	438,678

The bank loan of £438,756 above, consists of the following:

- £94,542 relates to a fixed rate loan with Lloyds, £87,148 is due within 12 months and £7,394 is due in more than 12 months of the balance sheet date. The loan is secured by a first legal charge over the freehold land and building which is held within the company's ultimate and immediate parent company, AERCO (Holdings) Limited. The loan incurs interest at 3.31% per annum.
- £94,214 relates to a variable rate loan with Lloyds, £86,862 is due within 12 months and £7,352 is due in more than 12 months of the balance sheet date. The loan is secured by a first legal charge over the freehold land and building which is held within the company's ultimate and immediate parent company, AERCO (Holdings) Limited. The loan incurs interest at 2.8% per annum above the Bank of England base rate.
- £250,000 relates to a CBILS loan with Lloyds, £47,632 is due within 12 months and £202,368 is due in more than 12 months of the balance sheet date. The loan is secured by a legal charge on all assets of the company. The loan incurs interest at 2.3% per annum above the Bank of England base rate.

17 Retirement benefit schemes	2022	2021
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	63,488	79,309

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

18 Share capital	2022	2021	2022	2021
Ordinary share capital	Number	Number	£	£
Issued and fully paid				
Ordinary shares of £1 each	794,313	794,313	794,313	794,313

Ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights.

AERCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

19 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022	2021
	£	£
Within one year	33,239	42,916
Between two and five years	120,540	123,779
In over five years	22,500	52,500
	<u>176,279</u>	<u>219,195</u>

20 Related party transactions

Transactions with related parties

During the year, purchases were made from AERCO Services Limited, a fellow group undertaking, totalling £nil (2021: £9,076), which were not concluded under normal market conditions.

21 Ultimate controlling party

The company's ultimate and immediate parent company is AERCO (Holdings) Limited, a company ultimately controlled by Mr R Laughton.

AERCO (Holdings) Limited, prepares consolidated financial statements and copies can be obtained from Companies House. The registered office of AERCO (Holdings) Limited is Units 16-17, Lawson Hunt Industrial Park, Broadbridge Heath, Horsham. RH12 3JR.

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