

Company Registration No. 03114566 (England and Wales)

MEGGITT (KOREA) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



MEGGITT (KOREA) LIMITED

COMPANY INFORMATION

Directors	M L Thomas I K Pargeter K Lewis
Secretary	S R Grant
Company number	03114566
Registered office	Pilot Way Ansty Business Park Coventry CV7 9JU
Auditor	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 3 Forbury Place 23 Forbury Road Reading Berkshire RG1 3JH

MEGGITT (KOREA) LIMITED

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MEGGITT (KOREA) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and audited financial statements for the year ended 31 December 2019.

Results and dividends

The company made a profit for the financial year of £24,777 (2018: £10,521) and has net assets of £34,293 (2018: £10,903). The directors do not recommend payment of a dividend (2018: nil).

Principal activities and business review

The company has a branch in the Republic of Korea for the purposes of sales and marketing for other Meggitt companies for customers in Korea and to provide a local after sales service liaison and support.

Branches outside of the UK

The company has a branch in South Korea.

Post reporting date events

Implications of COVID-19 on the business

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. As the epidemic evolves, many areas have increasing cases and a high rate of local transmission of COVID-19. As of now, COVID-19 has since spread to over 150 countries worldwide and on March 11, 2020 the World Health Organization ('WHO') declared COVID-19 a pandemic.

The spread of the COVID-19 outbreak has caused severe disruptions in the UK and global economy and financial markets and could potentially create widespread business continuity issues of an as yet unknown magnitude and duration. Many countries, including UK, have reacted by instituting quarantines, mandating business and school closures and restricting travel. Many experts predict that the outbreak will trigger a period of global economic slowdown or a global recession.

As a Group, we are closely monitoring the potential impact of COVID-19. In response to the impacts of the pandemic, the Group has already made good progress in executing the actions announced in April 2020 to reduce its cost base, preserve cash and resize the business for H2 2020 and 2021. The reduction in the Group's global workforce by around 15% has proceeded as planned. Inventory reduction remains a key objective for the Group. Overall, the Group is on track to reduce cash outflows by around £400m in 2020.

Our top priority remains the health and safety of our staff which we are addressing through implementation of HSE guidelines including social distancing procedures in the workplace and a focus on working from home where possible. In addition, investment has been made in additional PPE and hand sanitiser to protect workers when on-site.

As COVID-19 is considered a non-adjusting subsequent event, any impact on the recoverability of assets in the balance sheet has not been adjusted. There is a risk that the lockdowns and impact on the aerospace industry driven by COVID-19 result in an impact to the recoverability of assets, such as receivables.

A Group level recoverability test was performed as part of the June 2020 Interim results. At an individual site level there has been no material impact on expected credit losses for receivables for Meggitt (Korea) Limited.

The nature of the company's activities are such that the pandemic has not had a direct impact on the entity, nor is expected to do so in the future.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to minimal risks. The key business risks, both external and internal, are fully discussed, in context of the Meggitt PLC group as a whole, on pages 46 to 51 of the Group's 2019 annual report which does not form part of this report.

MEGGITT (KOREA) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Financial risk management

The company's operations expose it to a variety of financial risks including foreign exchange risk. The company is exposed to translation risk due to changes in foreign exchange rates. The results of the company's branch based in the Republic of Korea are translated at average exchange rates for the period. Assets and liabilities of this branch are translated at exchange rates prevailing at the reporting date. Therefore foreign exchange risk relates to Pounds Sterling/South Korean Won. Over the year the exchange rate pair was relatively stable. As the company's operations are principally funded through group operations, it is not exposed directly to external risk factors such as liquidity risk and credit risk.

Future prospects

The directors consider that the company is well placed to continue its activities during 2020 and onwards, as discussed in the context of the group in the Meggitt PLC 2019 Annual Report on page 51, which does not form part of this report.

The response to the impact of COVID-19 is set out in the Post reporting date events section. It is our view, to the best of our current knowledge, that although COVID-19 will have an adverse impact on the company, the measures taken by the Group will mitigate this in order that there is not a material effect on the company's ability to continue as a going concern. The directors have considered the impact of going concern in note 1.2.

Directors

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

M L Thomas

D J O'Neill

I K Pargeter

K Lewis

(Resigned 31 March 2020)

(Appointed 1 April 2020)

Directors' indemnities

The directors have the benefit of qualifying third-party indemnity provisions for the purposes of Section 234 of the Companies Act 2006. This remained in force during the financial year and at the date of approval of these financial statements.

Independent auditors

PricewaterhouseCoopers LLP is deemed to be reappointed as the Company's auditor under section 487 of the Companies Act 2006.

Strategic report

The directors have taken advantage of the small companies exemption from preparing a strategic report, in accordance with s414B of the Companies Act 2006.

MEGGITT (KOREA) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

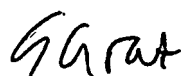
Directors' confirmations

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board of Directors on 18 December 2020.

Signed on behalf of the Board:



S R Grant
Secretary
18 December 2020

MEGGITT (KOREA) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MEGGITT (KOREA) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Meggitt (Korea) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

MEGGITT (KOREA) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MEGGITT (KOREA) LIMITED (CONTINUED)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

MEGGITT (KOREA) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MEGGITT (KOREA) LIMITED (CONTINUED)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Alex Upton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
18 December 2020

MEGGITT (KOREA) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Revenue		336,478	150,738
Cost of sales	3	(305,889)	(137,749)
Profit before taxation		30,589	12,989
Tax on profit	6	(5,812)	(2,468)
Profit for the financial year		<u>24,777</u>	<u>10,521</u>
Other comprehensive (expenses)/ income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(1,387)	282
Other comprehensive (expenses)/income for the year		<u>(1,387)</u>	<u>282</u>
Total other comprehensive income for the year		<u>23,390</u>	<u>10,803</u>

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

MEGGITT (KOREA) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
Non-current assets			
Property, plant and equipment	7	20,709	-
Current assets			
Trade and other receivables	8	79,176	23,918
Cash and cash equivalents		60,637	2,512
		139,813	26,430
Current liabilities			
Other payables	9	(107,479)	(15,527)
Lease liabilities	10	(14,039)	-
		(121,518)	(15,527)
Net current assets		18,295	10,903
Total assets less current liabilities		39,004	10,903
Non-current liabilities			
Lease liabilities	10	(4,711)	-
Net assets		34,293	10,903
Equity			
Share capital	11	100	100
Other reserves		(1,105)	282
Retained earnings		35,298	10,521
Total equity		34,293	10,903

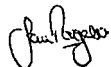
The notes on pages 11 to 19 are an integral part of these financial statements.

MEGGITT (KOREA) LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2019

The financial statements on pages 7 to 19 were approved by the Board of Directors and authorised for issue on 18 December 2020.



Ian Pargeter

Director

18 December 2020

Company Registration No. 03114566

MEGGITT (KOREA) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Other reserves*	Retained earnings	Total equity
	£	£	£	£
Balance at 1 January 2018	100	-	-	100
Profit for the year	-	-	10,521	10,521
Other comprehensive income:	-	282	-	282
Total comprehensive income for the year	-	282	10,521	10,803
Year ended 31 December 2018	100	282	10,521	10,903
Profit for the year	-	-	24,777	24,777
Other comprehensive expenses:	-	(1,387)	-	(1,387)
Total comprehensive income for the year	-	(1,387)	24,777	23,390
Balance at 31 December 2019	100	(1,105)	35,298	34,293

* Relates to foreign exchange

MEGGITT (KOREA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Meggitt (Korea) Limited is a private company, limited by shares, incorporated and domiciled in the United Kingdom. The registered office is Pilot Way, Ansty Business Park, Coventry, CV7 9JU.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements have been prepared on the historical cost basis and in accordance with the Companies Act 2006. These policies have been applied consistently to all periods presented unless otherwise stated.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- the requirements of IFRS 7 'Financial Instruments: Disclosures';
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 111 and 134-136 of IAS 1 'Presentation of Financial Statements';
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, and (ii) paragraph 73(e) of IAS 16 'Property Plant and Equipment';
- the requirements of IAS 7 'Statement of Cash Flows';
- the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- the requirements of paragraph 17 of IAS 24 'Related Party Disclosures';
- the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases'.

Where required, equivalent disclosures are given in the group financial statements of Meggitt PLC. The group financial statements of Meggitt PLC are publicly available, as set out in note 13.

MEGGITT (KOREA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.2 Going concern

The directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from the date of this report. For this reason, the directors continue to adopt the going concern basis in preparing the company financial statements.

In reaching this conclusion, the directors have considered:

- the financial position of the company as set out in this report and additional information provided in the financial statements;
- the resources available to the company;
- the principal risks and uncertainties to which the Meggitt PLC group is exposed, as set out on pages 46 to 51 of the Meggitt PLC Annual Report & Accounts 2019 (which do not form part of these financial statements), the likelihood of them arising and the mitigating actions available; and
- the impact of COVID-19 on both the entity and the Meggitt PLC group as part of their assessment.

As a Group, we are closely monitoring the potential impact of COVID-19 on our 2020 financial results and cashflows and have prepared a detailed model and revised projections for the business.

To model the expected impact of COVID-19 on the Group, a base case model has been developed which reflects its current view of the most likely impact on the Group's revenues, the extent to which appropriate mitigating actions on costs can be implemented and how this impacts cash flows over the next five years. In assessing whether the going concern principle remains appropriate, the Group has leveraged the output from this model covering the period to 31 December 2022. The Group has also considered the liquidity available to it over the period to 31 December 2022. This model has also been stress tested using a downside ('severe but plausible') scenario. Under the downside scenario, the Group has sufficient financing to be able to meet its obligations as they fall due in the period under assessment, and no covenants contained within external funding agreements would be breached.

Based on the above, the directors have therefore concluded it is appropriate to adopt the going concern principle in these financial statements.

1.3 New standards, amendments and IFRIC interpretations

During the year, no new accounting standards, amendments or revisions to existing standards, or interpretations have become effective which had a significant impact on the financial statements.

1.4 Other payables

Other payables are initially recognised at fair value and subsequently measured at amortised cost.

1.5 Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost less any impairment losses. The company applied the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. For amounts due from fellow group undertakings that are repayable on demand the expected credit losses are based on the assumption that repayment is demanded at the reporting date. The borrowers access to sufficient accessible highly liquid assets in order to repay the amount due if demanded at the reporting date, is assessed. The expected manner of recovery is considered when measuring the expected credit losses. If the recovery strategies indicate that the company would fully recover the outstanding amounts due, the expected credit loss will be limited to the effect of discounting the amount due using the effective interest rate, over the period until cash is expected to be realised.

MEGGITT (KOREA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.6 Revenue

Revenue represents the fair value of consideration received or receivable in respect of services provided in the normal course of business. The company's registered branch in the Republic of Korea provides sales and marketing for other Meggitt companies for customers in Korea and provide a local after sales service liaison and support, which is the company's principal activity. The company is compensated on a cost-plus basis at a fixed margin of 10%.

There are no significant judgements required in either determining the company's performance obligations or, because the majority of the company's revenue is recognised when goods or services are provided to the customer, in the timing of revenue recognition. As revenue is typically recognised at amounts agreed in advance with customers, no significant estimates are required in determining transaction prices.

The principal circumstances in which control transfers over time are where the company provides goods or services for which it has no alternative use and has the enforceable right to payment, plus a reasonable profit margin, throughout the life of the contract.

1.7 Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and impairment losses. Cost includes expenditure directly attributable to the acquisition of the asset.

For right-of-use assets, cost comprises an amount equal to the initial lease liability recognised, adjusted to include any payments made for the right to use the asset, initial direct costs incurred and estimated costs for dismantling, removing and restoring the asset at the end of the lease term. Lease incentives receivable from the lessor are recognised as a reduction in cost.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Plant and equipment	3 to 10 years
Right of use asset: property	Shorter of the useful economic life of the asset and the lease term

Residual values and useful lives are reviewed annually and adjusted if appropriate. When property, plant and equipment is disposed, the difference between sale proceeds, net of related costs, and the carrying value of the asset is recognised in the income statement.

1.8 Current tax

Current tax is based on taxable profit for the period, calculated using tax rates enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax is recognised in the statement of comprehensive income or directly in equity depending on where the item to which they relate has been recognised.

1.9 Leases

A lease liability is recognised when the company obtains control of the right-of-use asset, that is the subject of the lease. The lease liability is subsequently measured using the effective interest method, with interest charged to finance costs. Leases, which at inception have a term of less than 12 months or relate to low-value assets, are not recognised on the balance sheet. Payments made under such leases are charged to the income statement on a straight-line basis over the period of the lease.

MEGGITT (KOREA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.10 Foreign exchange

The company's branch based in the Republic of Korea's functional currency is the South Korean Won. The financial statements have been prepared using a Pound Sterling presentational currency.

The results of the company's branch based in the Republic of Korea are translated at average exchange rates for the period. Assets and liabilities of this branch are translated at exchange rates prevailing at the reporting date. Exchange differences arising from the retranslation of the results and net assets of the company's branch based in the Republic of Korea are recognised within other comprehensive income and 'other reserves' in equity.

Transactions denominated in foreign currencies are translated into GBP and recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated into GBP at the exchange rates ruling at the reporting date. All differences are recognised in the statement of comprehensive income.

2 Critical accounting estimates and judgements

In applying the company's accounting policies set out in note 1, the company is required to make certain estimates and judgements concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from these estimates.

Significant accounting estimates

Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the end of the reporting period. Through the process of applying the company's accounting policies the directors have not identified assumptions made about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Significant accounting judgements

In the process of applying the company's accounting policies, the directors have not made judgements that significantly affect the amounts it has recognised in the financial statements.

3 Operating profit

	2019	2018
	£	£
Operating profit for the year is stated after charging:		
Staff costs (see note 5)	168,242	109,360
Depreciation of property, plant and equipment	10,002	-
Consultancy costs	83,636	6,154
Other costs	44,009	22,235

MEGGITT (KOREA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

4 Auditor's remuneration

Audit fees for the year were borne by the ultimate parent company, Meggitt PLC. The following allocation is made, but has not been recharged to the company

	2019 £	2018 £
Audit fees payable to the company's auditor	13,000	6,500

5 Employees

	2019 £	2018 £
Wages and salaries	135,511	85,267
Social security costs	32,731	24,093
	168,242	109,360

The average monthly number of persons employed by the company during the year was one (2018: one). During the year there was one additional employee for three months and an increase in bonus paid resulting in a higher cost for the year.

All of the directors as at the year end are employees of the ultimate parent company, Meggitt PLC, and are remunerated by that company for their services to the group as a whole. The directors did not receive any remuneration in their capacity as directors of Meggitt (Korea) Limited (2018: £nil) as their services to the company were incidental to their services to the group.

Three of the directors exercised options in the shares of the ultimate holding company, Meggitt PLC, during the year (2018: three). No options were issued in regards to services for Meggitt (Korea) Limited (2018: nil).

MEGGITT (KOREA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

6 Tax on profit

	2019 £	2018 £
Current tax		
Current year taxation	5,812	2,468
	<u>5,812</u>	<u>2,468</u>

Tax expense for the year is equal (2018: equal) to the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19.00% (2018: 19.00%), which is shown below:

	2019 £	2018 £
Profit before taxation	<u>30,589</u>	<u>12,989</u>
Profit before taxation multiplied by the standard rate of tax in the UK of 19.00% (2018: 19.00%)	<u>5,812</u>	<u>2,468</u>
Tax charge for the year	<u>5,812</u>	<u>2,468</u>

Factors that may affect current tax

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporate tax rate from 19% to 17%. This announcement does not constitute substantive enactment and therefore deferred taxes at the balance sheet date continue to be measured at the enacted tax rate of 17%. It has been confirmed after the reporting date that the corporation tax rate remains at 19% after 1 April 2020.

MEGGITT (KOREA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

7 Property, plant and equipment

	Plant and equipment	Right of Use Asset: Property	Total
	£	£	£
Cost			
At 1 January 2019	-	-	-
Additions	2,489	28,761	31,250
Foreign currency adjustments	(63)	(729)	(792)
At 31 December 2019	2,426	28,032	30,458
Accumulated depreciation			
At 1 January 2019	-	-	-
Charge for the year	(415)	(9,587)	(10,002)
Foreign currency adjustments	11	242	253
At 31 December 2019	(404)	(9,345)	(9,749)
Carrying amount			
At 31 December 2019	2,022	18,687	20,709
At 31 December 2018	-	-	-

8 Trade and other receivables

	2019 £	2018 £
Other receivables	3,686	886
Trade receivables - amounts due from group undertakings	61,256	23,032
Prepayments	14,234	-
	79,176	23,918

Amounts due from group companies are unsecured, bear no interest and have no fixed date for repayment.

9 Other payables

	2019 £	2018 £
Amounts owed to fellow group undertakings	15,921	-
Accruals	81,760	10,775
Social security and other taxation	3,276	2,284
Corporation tax payable	6,522	2,468
	107,479	15,527

MEGGITT (KOREA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

10 Lease liabilities

	2019 £	2018 £
Within one year	14,039	-
In two to five years	4,711	-
	<u>18,750</u>	<u>-</u>

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2019 £	2018 £
Current liabilities	14,039	-
Non-current liabilities	4,711	-
	<u>18,750</u>	<u>-</u>

On 10 May 2019, Meggitt Korea Limited entered into a new lease for 2 years with a monthly rent of £1,180.

11 Share capital

	2019 No.	2019 £	2018 No.	2018 £
Ordinary share capital				
Allotted, issued and fully paid				
Ordinary shares of £1 each	100	100	100	100
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

MEGGITT (KOREA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

12 Post reporting date events

Implications of COVID-19 on the business

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. As the epidemic evolves, many areas have increasing cases and a high rate of local transmission of COVID-19. As of now, COVID-19 has since spread to over 150 countries worldwide and on March 11, 2020 the World Health Organization ('WHO') declared COVID-19 a pandemic.

The spread of the COVID-19 outbreak has caused severe disruptions in the UK and global economy and financial markets and could potentially create widespread business continuity issues of an as yet unknown magnitude and duration. Many countries, including UK, have reacted by instituting quarantines, mandating business and school closures and restricting travel. Many experts predict that the outbreak will trigger a period of global economic slowdown or a global recession.

As a Group, we are closely monitoring the potential impact of COVID-19. In response to the impacts of the pandemic, the Group has already made good progress in executing the actions announced in April 2020 to reduce its cost base, preserve cash and resize the business for H2 2020 and 2021. The reduction in the Group's global workforce by around 15% has proceeded as planned. Inventory reduction remains a key objective for the Group. Overall, the Group is on track to reduce cash outflows by around £400m in 2020.

Our top priority remains the health and safety of our staff which we are addressing through implementation of HSE guidelines including social distancing procedures in the workplace and a focus on working from home where possible. In addition, investment has been made in additional PPE and hand sanitiser to protect workers when on-site.

As COVID-19 is considered a non-adjusting subsequent event, any impact on the recoverability of assets in the balance sheet has not been adjusted. There is a risk that the lockdowns and impact on the aerospace industry driven by COVID-19 result in an impact to the recoverability of assets, such as receivables.

A Group level recoverability test was performed as part of the June 2020 Interim results. At an individual site level there has been no material impact on expected credit losses for receivables for Meggitt (Korea) Limited.

The nature of the company's activities are such that the pandemic has not had a direct impact on the entity, nor is expected to do so in the future.

13 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Meggitt Properties PLC. The ultimate parent undertaking and controlling party is Meggitt PLC, a company incorporated in the United Kingdom. Meggitt PLC is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2019. The consolidated financial statements of Meggitt PLC are available from its registered office; Pilot Way, Ansty Business Park, Coventry, CV7 9JU.