Pattonair (Derby) Limited

Annual report and financial statements for the year ended 31 December 2019

Registered number: 03872238

Pattonair (Derby) Limited

Annual report and financial statements for the year ended 31 December 2019

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Pattonair (Derby) Limited

Directors and advisors

Directors

DR Landry
TJ Gallagher
WR Hollinshead
M Whatling

Company secretary

Z Robertson

Registered office

Ascot Business Park
50 Longbridge Lane
Derby
DE24 8UJ

Lawyers

Baker McKenzie LLP
100 New Bridge Street
London
EC4V 6JA

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Chamberlain Square
Birmingham
B3 3AX

Pattonair (Derby) Limited

Strategic report
for the year ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

Principal activities

The principal activity of the Company is the provision of an integrated logistics and supply chain management service to the aerospace and defence industries.

Business review & future developments

For the year ending 31 December 2019, turnover was £199.6 million (year ended 31 December 2018: £190.3 million) and profit for the year was £9.7 million (year ended 31 December 2018: £9.7 million).

The Company focuses on the C-class segment of the aerospace market, specialising in parts for civil and defence aircraft engines, and other aircraft mechanical systems (e.g., landing gears). Our service offering includes sourcing, procurement, warehousing, product movement and other bespoke services based on customer-specific requirements.

We source and procure parts ranging from fasteners (nuts and bolts, often made to an industry standard) to highly bespoke fabrications (e.g., certain springs, seals, bearings). We use our expertise to reduce the 'long tail' of suppliers inevitably created during the production process, as well as offering our customers the ability to source and procure more effectively than they can on their own. Working with many customers gives us significant purchasing power with which to negotiate prices with suppliers. The company continues to take more advantage of this, and our professional and strategic buying team, looking at the whole supply chain over the short, medium and long term, consistently strive to create significant value for us and our customers.

During the year, the Pattonair Group undertook a legal entity and intercompany loan rationalisation project aimed at reducing the number of entities in the wider Pattonair Group and simplifying the number of intercompany balances within the Group.

During the year, as part of the legal entity rationalisation project, the Company transferred it entire shareholding in Pattonair Berlin GmBH to a fellow subsidiary in exchange for consideration of £2.8 million, recognising a gain on disposal of £2.8 million. In addition to this, intercompany loans payable to a fellow subsidiary of £1.0 million was waived during the year; this has been recognised directly as a gain within profit and loss.

The Company was also transferred from Pattonair UK Limited to Pattonair Europe Limited.

The Company is a wholly owned subsidiary of Pattonair Europe Limited. The parent undertaking of the largest group to consolidate these financial statements is Pattonair Holdings Limited and the detailed business review for the whole Group can be found in the 2019 annual report for this entity.

Post balance sheet events

On 8 August, 2019, an affiliate of certain private equity investment funds sponsored by Platinum Equity, LLC (collectively, "Platinum"), the indirect owner of the Company, entered into a definitive merger agreement to acquire Wesco Aircraft Holdings, Inc. ("Wesco") indirectly through the Group (the "Merger"). The closing of the transactions contemplated by such agreement (the "Merger") occurred on 9 January 2020.

Prior to the closing of the Merger, a series of transactions were effectuated pursuant to which, the underlying trade and assets of the Pattonair business were ultimately reorganised under Wolverine Merger Corporation, a special purpose vehicle formed for purposes of such transactions and the Merger and indirect subsidiary of Platinum. Wolverine Merger Corporation was subsequently merged with and into Wesco upon closing of the Merger. Wolverine Merger Corporation was subsequently merged with and into Wesco upon closing of the Merger, the new combined group is called the "Incora Group". In addition, as part of such transactions, the Incora Group repaid in full their existing indentures and notes. The enlarged group entered into new senior credit agreements and issued new senior secured notes and senior unsecured notes.

Post balance sheet events (continued)

In June 2020 Incora Group announced plans to right size the busines as a result of COVID-19 and the Merger. This was communicated to the employees in June 2020, following a consultation period of 45 days. The redundancy process started during July 2020 and is expected to be complete by June 2021.

Capital resources and liquidity

The Pattonair Group was funded by $280 million Senior Secured Notes, an ABL facility of up to £100 million and £148 million of equity. At 31 December 2019, the business owed £62.6 million (31 December 2018: £19.8 million) under the ABL and a further $284.2 million (31 December 2018: $284.2 million) in Secured Senior Notes, including accrued interest.

At 31 December 2019, the Pattonair Group had £9.3 million (31 December 2018: £10.9 million) cash and cash equivalents, primarily in the UK & France. Net debt was £258.8 million at 31 December 2019 (31 December 2018: £219.7 million). Our liquidity requirements consist of working capital needs and ongoing capital expenditure requirements. Our primary requirements for working capital are directly related to the level of our operations. As of 31 December 2019, the Pattonair Group had approximately £37 million (31 December 2018: £80 million) of availability on the ABL facility.

The ABL and the Senior Secured Notes were both due for repayment in July 2022; however, these were repaid on 9 January 2020 as part of the merger. The Incora Group entered into new senior credit agreements and issued new senior secured notes and senior unsecured notes.

At 31 December 2019, the Company owed £53.4 million (31 December 2018: £12.8 million) under the ABL facilities. The Company had £3.2 million (31 December 2018: £1.8 million) of cash and cash equivalents.

Coronavirus – summary of impact assessment

In March 2020, the World Health Organization categorized the novel coronavirus ("COVID-19") as a pandemic, and it continues to spread across the world. The COVID-19 health crisis poses significant and widespread risks to our business as well as to the business environment and the markets in which we operate. To limit or slow the spread of COVID-19, governments have taken various actions, including the issuance of stay-at-home orders and social distancing guidelines.

We have already experienced significant disruption to our business as a result of the significant reduction in commercial aircraft travel which has reduced commercial aircraft production rates and MRO activities. Even after restrictions are modified or lifted, changes in consumer behaviour and health concerns may continue to impact commercial aircraft travel which would impact the overall demand for commercial aircrafts. We anticipate the COVID-19 pandemic to have a material impact on our operations, our cash flows from operations and our financial condition, in fiscal year 2020. However, the impacts of COVID-19 on our future performance cannot be reasonably estimated at this time.

The Incora Group's performed a detailed liquidity forecast which in is inclusive of the anticipated impact of COVID-19 on Incora's operations and financing instrument currently available to demonstrate that the Group and subsidiaries will be able to operate for at least twelve months from the approval date of these Financial Statement. Based on the analysis performed, management has concluded the Company has sufficient liquidity to fund its operations for one year from the financial statement's issuance date.

Whilst it is acknowledged that Covid-19 will have a significant impact on the business over the next twelve months, the funding arrangements is set out below support the use of the Going Concern basis in preparing these financial statements.

The directors believe that the company has adequate resources to manage the consequences of the pandemic and in forming this view have obtained a letter of support from Wesco Aircraft Holdings Inc.

Funding arrangements

The Pattonair Group is funded by the Incora Group ABL facility. In order to right size the business post COVID-19 pandemic, the Pattonair Group has taken actions to mitigate the impact. This includes but is not limited to the following in respect of the impact on the expected cash flow: consolidation of certain facilities; reductions in the workforce; furloughs and salary reductions; and reduced capital expenditure.

The ultimate parent company Wesco Aircraft Holdings, Inc. has reported financial statements for Q1 and Q2 disclosing the impact of Covid 19 on the global business. These financial statements lay out the impact on the global business of Covid 19 in detail along with the actions to mitigate the impact and funding arrangements in place to support the use of Going concern.

Overall, the Incora Group can borrow up to $475.0 million on ABL facility of which $75.0 million was available as of 30 June 2020. The Group anticipates that cash provided by operating activities, cash and cash equivalents and borrowing capacity under our ABL Facility will be sufficient to meet cash requirements for the next twelve months.

At 30 October 2020, there were £34.3 million borrowings outstanding under the Incora Group's ABL facility which related to Pattonair Derby Limited. The Company has cash of £26.7m million as at 30 October 2020.

As at 30 October 2020 the business is starting to see a small uplift in the sales levels, if required the Pattonair Group has access to the funding arrangements available to Incora Group, this funding is sufficient to allow the company to operate for the next twelve months.

Principal risks and uncertainties

In addition to the risks arising from the Covid-19 pandemic, the risks which could have a material impact on the performance of the Group include:

Loss of a major customer and contract compliance

The Group deals with a number of significant customers on a global scale and has dedicated teams who work on key customers to ensure quality of service and maintain "partnerships" with these customers. We work closely with all our customers to ensure that we meet the service requirements and needs of these customers and hence to ensure contractual compliance.

Competition

We operate in a competitive environment and compete with our key competitors in relation to quality of service, product offering and price in relation to both our existing customer base and new tenders. We actively look to maximise our service offerings, whilst ensuring our prices remain competitive.

Stock holding and availability

Availability of product, and hence the ability to service our customers, remains a key focus of the group, and hence we work closely with our suppliers to ensure the required stock availability, whilst holding appropriate safety stock levels to mitigate the risk of not having stock available.

Foreign currency

We generate a large proportion of our revenue in both Euros and Dollars, and hence our operating profits can be adversely affected when the pound strengthens against these currencies. This risk is minimised through transactions in sterling entities in these currencies and the business buys and sells parts in the same currency on the majority of contracts to further minimise exposure.

General economic conditions

We conduct our business internationally, including exporting our products to a number of emerging markets. As a result, our business is subject to risks related to the differing legal, political, social and regulatory requirements and economic conditions of many jurisdictions. Where we move into a new territory, we work closely with local advisors to understand the local laws and regulations.

Strategic report
for the year ended 31 December 2019 (continued)

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of foreign currency risk, liquidity risk and interest rate risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring levels of debt finance and the related finance costs.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Group's finance department.

Foreign currency risk

The Company's sales and purchases are partly transacted in both US Dollar and Euro and hence the Company is exposed to fluctuations in these currency rates. This risk has been partly mitigated through a natural hedge by buying and selling in the same currency.

Liquidity risk

The Company actively maintains a mixture of long-term and short-term debt finance through the ABL facility and intercompany borrowings that ensures that the Company has sufficient available funds for the Company's operation and future expansion plans.

Interest rate risk

The Company's main interest-bearing liability is in relation to the (asset based lending facility) of which the interest rate is floating. The Group has taken out an interest rate cap on behalf of the Company to part mitigate any risk in relation to significant interest rate fluctuations.

Credit risk

Credit risk arises from cash and cash equivalents with banks and financial institutions, as well as credit exposures to our customers. For banks and financial institutions, only international reputable counterparties are accepted. For customers, an individual credit limit is set for each customer following a risk assessment based on internal and external data. The utilisation of credit limits is regularly monitored and assessed. Historically bad debts have been exceptionally low.

The Directors' duties

Directors of the Company, as those of all UK Companies, must act in accordance with a set of general duties. These duties are detailed in section 172(1) of the UK Companies Act 2006 which is summarised as follows: 'a director of a company must act in a wat they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long term
- the interest of the Company's employees
- the need to foster the Company's business relationships with suppliers, customers and others
- the impact of the Company's operations on the community and environment
- the desirability of the Company maintaining a reputation for high standards of business conduct and
- the need to act fairly as between shareholders of the Company.'

The Directors' duties (continued)

It is important to recognise that in large organisation such as ours, the Directors fulfil their duties partly through a governance framework that delegates day to day decision making to employees of the Company. The following paragraph summarises how the Directors fulfil their duties:

Our strategy and consideration of consequences of decisions for long term

As directors of the Company, we provide overall risk oversight, with a focus on the most significant risks facing our Company. In addition, we are responsible for ensuring overall crisis management and business continuity plans are in place. Together with senior management, we frequently discuss the Company's business strategy, operations, policies, controls and current and potential risks. These discussions include approach for assessing, monitoring and controlling risk exposure.

Our values and cultures

The Incora Group is dedicated to conducting its business consistent with the highest standards of business ethics. We have an obligation to our employees, shareholders, customers, suppliers, community representatives and other business contacts to be honest, fair and forthright in all of our business activities

Our Code of Business Conduct and Ethics is a comprehensive blueprint of Incora's business standards and applies to call our directors, officers and employees. It underpins our commitment to do business the right way and covers anti-corruption, antitrust and fair competition, data protection, employment practices and trade compliance. We have a dedicated Ethics Helpline that is available to employees at all times.

Our employees

We recognise the importance of good communications and relations with employees. We continue to encourage and increase employee participation and involvement in matters which affect their interests. We provide updates to employees on development within the Company on a regular basis.

Business relationships

Our diverse, global customer base and supplier base includes some of the largest blue-chip multinationals in the aerospace sector. We value our customers and suppliers and have long term standing relationships with both our customers and our suppliers. We have dedicated customer and supplier account managers who manages and safeguards the interests of ourselves, our customers and our suppliers.

Community and environment

We are committed to the protection of the environment. We use our Environmental Management System to not only ensure compliance with environmental legislation and regulations, but also to achieve our objectives and goals with continual improvements in environmental performance and reduced environmental waste through recycling and reusing by products and waste.

Strategic report
for the year ended 31 December 2019 (continued)

Key performance indicators

The directors consider the following KPIs to be the principle measures of performance in relation to the Company. These key performance indicators are reviewed on an ongoing basis by the directors.

		Year ended 31 December 2019	Year ended 31 December 2018
Turnover	As per statement of comprehensive income	**£199.6 million**	**£190.3 million**
Gross margin %	Gross profit divided by turnover	**13.7%**	**14.2%**
EBITDA	Operating profit after adding back any depreciation, amortisation and non-recurring items	**£17.3 million**	**£16.7 million**

The Company has chosen the above KPIs to monitor. These KPIs reflect the health of the Company, the Company targets growth in turnover and EBITDA as indicators that the Company is improving its financial position.

Results

The profit for the year was £9.7 million (year ended 31 December 2018: £9.7 million). The results for the year are shown in the statement of comprehensive income on page 13. The results include £2.8 million (year ended 31 December 2018: £0.3 million) of non-recurring administrative costs. Debt issue costs amortised in the year were £0.3 million (year ended 31 December 2018: £0.4 million).

The Company has net assets of £45.5 million as at 31 December 2018 (31 December 2018: £35.8 million).

On behalf of the board

M Whatling

Director

10 December 2020

Pattonair (Derby) Limited

Directors' report
for the year ended 31 December 2019

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

Directors

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

WR Hollinshead	
CA Humphreys	(resigned 2 November 2020)
DR Landry	(appointed 2 November 2020)
TJ Gallagher	(appointed 2 November 2020)
M Whatling	(appointed 2 November 2020)

Dividends

During the year the directors recommended a dividend of £nil (year ended 31 December 2018: £nil).

Future developments

These have been discussed in the strategic report.

Post balance sheet events

These have been discussed in the strategic report.

Financial risk management

These have been discussed in the strategic report.

Employees

The Company recognises the importance of good communications and relations with employees, and its ability to meet the needs of its customers in a profitable and competitive manner depends on the contribution of employees throughout the Company.

Employee participation and involvement in matters which affect their interests continues to be developed. The Company provides updates to employees on development within the Company on a regular basis.

Equal consideration is given to applications for employment from disabled people, having regard to their particular aptitudes and abilities.

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. If members of staff become disabled the Company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Going concern

The directors have adopted the going concern basis in preparing these financial statements after assessing the principal risks, having prepared cashflow forecasts for the next 12 months, and having considered the severe but plausible downside scenarios for Covid-19.

The ultimate parent company, following the merger, Wesco Aircraft Holdings, Inc. has prepared financial statements for Q1 2020 disclosing the impact of Covid-19 on the global business. These financial statements lay out the impact on the global business of Covid 19 in detail along with the actions that are being taken to mitigate these impacts. This includes but is not limited to the following in respect of the impact on the expected cash flow:

- Total credit arrangements of $475.0 million, of which $285.7 million was available as at 31 March 2020
- Reductions in the workforce
- Consolidation of certain facilities
- Reductions in the workforce. Furloughs and salary reductions
- Reduced capital expenditure

On the basis of their assessment of the Company's financial position, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. The directors believe that the company has adequate resources to manage the consequences of the pandemic and in forming this view have obtained a letter of support from Wesco Aircraft Holdings Inc. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 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 year. 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 102, 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 group and 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' report
for the year ended 31 December 2019 (continued)

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.

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting.

On behalf of the board

M Whatling

Director

10 December 2020

Independent auditors' report to the members of Pattonair (Derby) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Pattonair (Derby) 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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, which comprise: the Statement of Financial Position as at 31 December 2019; the Statement of Comprehensive Income, 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.

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 Strategic Report and 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.

Independent auditors' report to the members of Pattonair (Derby) Limited (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the 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 Strategic Report and 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, 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.

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.

Richard Kay (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
10 December 2020

Pattonair (Derby) Limited

Statement of Comprehensive Income for the year ended 31 December 2019

	Note	**Year ended 31 December 2019 £'000**	Year ended 31 December 2018 £'000
Turnover	5	**199,614**	190,312
Cost of sales		**(172,234)**	(163,346)
Gross profit		**27,380**	26,966
Administrative expenses - recurring		**(15,000)**	(14,532)
Administrative expenses - non-recurring	6	**(2,830)**	(319)
Total administrative expenses		**(17,830)**	(14,851)
Operating profit	7	**9,550**	12,115
Gain on sale of subsidiary undertaking	15	**2,785**	-
Profit before interest and tax		**12,335**	12,115
Interest receivable and similar income	10	**19**	27
Interest payable and similar expenses	11	**(1,497)**	(995)
Profit before taxation		**10,857**	11,147
Tax on profit	12	**(1,130)**	(1,417)
Profit for the financial year		**9,727**	9,730

The results shown in the statement of comprehensive income derive wholly from continuing operations.

Pattonair (Derby) Limited

Statement of Financial Position
at 31 December 2019

	Note	**31 December 2019 £'000**	31 December 2018 £'000
Fixed assets			
Intangible assets	13	**13,325**	12,634
Tangible assets	14	**4,659**	4,297
Investments	15	**-**	17
		17,984	16,948
Current assets			
Inventories	16	**69,831**	54,076
Debtors	17	**144,282**	127,081
Cash at bank and in hand		**3,240**	1,781
		217,353	182,938
Creditors: amounts falling due within one year	18	**(136,426)**	(151,150)
Net current assets		**80,927**	31,788
Total assets less current liabilities		**98,911**	48,736
Creditors: amounts falling due after more than one year	19	**(53,367)**	(12,919)
Net assets		**45,544**	35,817
Capital and reserves			
Called up share capital	21	**-**	-
Profit and loss account		**45,544**	35,817
Total shareholders' funds		**45,544**	35,817

The notes to the financial statements on pages 16 to 38 form an integral part of these financial statements.

These financial statements on pages 13 to 38 were approved by the board of directors on 10 December 2020 and were signed on its behalf by:

M Whatling

Director

Registered number 03872238

Statement of Changes in Equity
for the year ended 31 December 2019

	Called up share capital	Profit and loss account	Total equity
	£'000	£'000	£'000
Balance at 1 January 2019	-	35,817	35,817
Profit for the financial year	-	9,727	9,727
Total comprehensive income for the year	-	9,727	9,727
Balance at 31 December 2019	**-**	**45,544**	**45,544**

	Called up share capital	Profit and loss account	Total equity
	£'000	£'000	£'000
Balance at 1 January 2018	-	26,087	26,087
Profit for the financial year	-	9,730	9,730
Total comprehensive income for the year	-	9,730	9,730
Balance at 31 December 2018	**-**	**35,817**	**35,817**

Notes to the financial statements for the year ended 31 December 2019

1 General information

Pattonair (Derby) Limited is a private company limited by shares incorporated in England in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic report on pages 2 to 7.

2 Statement of compliance

These financial statements were prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") as issued in August 2014 and the Companies Act 2006. The functional and presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

3 Summary of significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Exemptions for qualifying entities under FRS102

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company is a wholly owned subsidiary of Pattonair Europe Limited. The parent undertaking of the largest group to consolidate these financial statements is Pattonair Holdings Limited, which includes the Company in its consolidated financial statements. The consolidated financial statements of Pattonair Holdings Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from the address given in note 26. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Pattonair Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The financial instrument disclosures required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures.

Basis of preparation

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

The financial statements are prepared on a going concern basis, under the historical cost convention.

3 Summary of significant accounting policies (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic report on page 2 to 7.

The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future.

On the basis of their assessment of the Company's financial position the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Classification of financial instruments issued by the Company

In accordance with FRS 102 section 22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Basic financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting year financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

3 Summary of significant accounting policies (continued)

Basic financial instruments (continued)

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the year of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

The company assesses at each reporting date whether intangible assets are impaired.

Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of intangible fixed assets. The estimated useful lives are as follows:

IT software	- 4 years
IT development costs	- 4 years
Contract prepayments	- Length of contract

Amortisation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

3 Summary of significant accounting policies (continued)

Intangible assets (continued)

Development costs that are directly attributable to the design and testing of IT systems are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the IT system so that it will be available for use;
- management intends to complete the IT system and use it within the business;
- there is an ability to use the IT system;
- it can be demonstrated that the IT system will generate probable future economic benefits;
- adequate technical, financial and other resources are available to complete the development; and
- the expenditure attributable to the IT system during its development can be reliably measured.

Tangible assets and depreciation

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible assets have different useful lives, they are accounted for as separate items of tangible assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible assets are impaired.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of tangible assets. Land is not depreciated. The estimated useful lives are as follows:

- Freehold buildings - 10-50 years
- Plant and machinery - 10% - 25% pa
- Fixtures, equipment and computers - 10% - 33% pa
- Motor vehicles - 25% pa

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

Investments

Investments in subsidiary undertakings are stated at cost, less any provision for impairment.

3 Summary of significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, conversion costs and other costs in bringing them to their existing location and condition.

The Company has a formal policy for making appropriate reserves to ensure inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. This policy requires assumptions to be made regarding future demand levels and these assumptions are partly dependent upon prevailing market and economic conditions, which are outside the Company's control.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Pension costs

The Company is a member of a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. All contributions are charged to the statement of comprehensive income to spread the cost of pensions over the employees' working lives with the Company.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Turnover

Revenue is recognised from sale of goods and rendering of services. The Company sells parts for civil and defence aircraft engines, and other aircraft mechanical systems. Revenue is recognised from the sale of goods when:

- Significant risks and rewards of ownership of the goods is transferred to the buyer;
- The entity retains neither continuing managerial involvement of ownership nor effective control over the goods sold (unless under an agreed inventory management contract);
- The amount of revenue can be measured reliably; and
- It is probable that the economic benefits of the transaction will flow to the entity.

In connection with the sales of goods, the Company offers services including sourcing, procurement, warehousing, product movement and other bespoke services based on customer-specific requirements.

Revenue is recognised from the rendering of services when the services are rendered and the outcome of the transaction can be estimated reliably. When the outcome of the transaction cannot be estimated reliably, recoverable contract costs will determine the extent of revenue recognition

Turnover excludes value added tax and other similar sales taxes. Turnover is stated after the deduction of discounts and allowances for estimated future rebates and returns.

3 Summary of significant accounting policies (continued)

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in the statement of comprehensive income over the term of the lease as an integral part of the total lease expense.

Interest receivable and payable

Interest payable and similar charges include interest payable and net foreign exchange losses on financing activities that are recognised in the statement of comprehensive income (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains on financing activities.

Interest income and interest payable are recognised in the statement of comprehensive income as they accrue, using the effective interest method.

Dividend income

Dividend income is recognised in the statement of comprehensive income on the date the Company's right to receive payments is established.

Taxation

Taxation on the statement of comprehensive income for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

3 Summary of significant accounting policies (continued)

Non-recurring items

Non-recurring items are those items that, by virtue of their nature, size and expected frequency, warrant separate additional disclosure in the financial statements in order to fully understand the underlying performance of the Company. These may include the costs of closure of locations or headcount reduction, transaction costs of a significant and non-recurring nature, debt refinancing costs or the accelerated write-off of these costs and the recognition of previously unrecognised deferred tax assets.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Distributions to equity holders

Dividends and other distributions to the Group's shareholders are recognised as a liability in the financial statements in the year in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Group.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The following are the critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(a) Critical judgements in applying the Company's accounting policies

Presentation of non-recurring items

The Company considers all costs incurred and determines whether by virtue of their nature, size and expected frequency, if they warrant separate disclosure in order to fully understand the underlying performance of the Company.

(b) Key accounting estimates and assumptions

Inventory provisioning

The Company is subject to changing customer demands and designs. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory as well as applying assumptions around anticipated saleability of finished goods. See note 16 for the net carrying amount of the inventory and associated provision. The Company does not consider changes in assumptions individually would change the inventory provision materially. The provision has not moved more that 1% of inventory balance in previous years.

5 Turnover

Turnover is attributable to one activity, the provision of integrated logistics and supply chain management services to the aerospace and defence industries, analysed as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
Sale of aircraft parts	**177,821**	168,135
Rendering of inventory management services	**21,793**	22,177
	199,614	190,312

Turnover by geographic markets supplied:

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
United Kingdom	**142,896**	144,793
Rest of Europe	**23,305**	17,657
Americas	**30,087**	6,495
Asia and Rest of World	**3,326**	21,367
Total turnover	**199,614**	190,312

6 Administrative expenses – non-recurring

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Redundancy costs	**370**	86
Restructuring costs	**3,184**	-
Gain on waiver of intercompany balances	**(1,006)**	-
Other	**282**	233
Total non-recurring administrative expense before tax	**2,830**	319
Non-recurring tax credit	**(729)**	(61)
Total non-recurring expense in the profit and loss account	**2,101**	258

Non-recurring administrative expenses relate to redundancy programmes where linked to the Pattonair Group's strategic reorganisation and underlying closure costs, consultancy fees and one-off costs in relation to programme implementations and merger costs relating to professional advice on the Reorganisation.

In the year ended 31 December 2018, non-recurring expenses relate to redundancy programmes and settlement of historic VAT and duty expenses.

Pattonair (Derby) Limited
Notes to the financial statements
for the year ended 31 December 2019 (continued)

7 Operating profit

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
Operating profit is stated after charging/(crediting):		
Amortisation of Intangible assets (see note 13)	**3,873**	3,335
Depreciation of tangible fixed assets (see note 14):		
- owned assets	**1,119**	972
Impairment of inventories (included within cost of sales)	**609**	362
Inventory recognised as an expense	**166,853**	158,964
Operating lease rentals:		
- plant and machinery	**401**	408
- other	**703**	474
Unrealised foreign exchange loss/(gain)	**1,564**	725
Auditors' remuneration:		
- Fees payable to the Company's auditors for the audit of the annual financial statements	**120**	65
- Other services relating to tax compliance	**50**	50

8 Remuneration of directors

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
Aggregate directors' remuneration – emoluments	**632**	628
	632	628

	Number	Number
Number of directors who were members of		
- defined contribution pension schemes	**2**	2

Retirement benefits accrued to two directors (year ended 31 December 2018: two directors) under defined contribution pension schemes. Contributions to the scheme totalling £27,000 (year ended 31 December 2018: £30,000) were made on their behalf.

The aggregate emoluments of the highest paid director were £372,000 (year ended 31 December 2018: £367,000) and included £19,000 (year ended 31 December 2018: £12,000) of pension contributions.

None of the Directors exercised share options during the year (year ended 31 December 2018: None) or received shares under long term incentive plans (year ended 31 December 2018: None).

9 Staff numbers and costs

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

	Year ended 31 December 2019	Year ended 31 December 2018
	Number	Number
Sales and distribution	**144**	209
Administrative	**286**	198
	430	407

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
Wages and salaries	**14,010**	13,322
Social security costs	**1,617**	1,515
Other pension costs (note 25)	**831**	678
	16,458	15,515

10 Interest receivable and similar income

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	£'000
Bank interest receivable	**19**	27
	19	27

11 Interest payable and similar expenses

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Bank loans and overdrafts	1,149	603
Amortisation and write-off of debt issue costs	348	392
	1,497	995

12 Tax on profit

(a) Tax expense included in statement of comprehensive income

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Current tax		
UK current tax on profits	1,473	1,391
Adjustments in respect of prior years	608	(134)
Total current tax charge	2,081	1,257
Deferred tax		
Origination and reversal of timing differences	(199)	(59)
Effect of changes in tax rates	(47)	-
Adjustments in respect of prior years	(705)	219
Total deferred tax (credit)/charge (note 20)	(951)	160
Tax charge on profit	1,130	1,417

12 Tax on profit (continued)

(b) Reconciliation of standard tax rate

Tax assessed for the year is lower (year ended 31 December 2018: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19% (year ended 31 December 2018: 19%). The differences are explained below:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Profit before taxation	**10,857**	11,147
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (year ended 31 December 2018: 19%)	**2,063**	2,118
Effects of:		
Expenses not deductible for tax purposes	**680**	54
Income not taxable	**(720)**	-
Transfer pricing adjustment	**(843)**	(843)
Effect of rate changes	**47**	3
Adjustments in respect of prior years	**(97)**	85
Total tax charge for the year	**1,130**	1,417

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the Company's future current tax charge accordingly and increase the deferred tax asset.

Factors that may affect future tax charges include the continued non-recognition of deferred tax assets in certain territories as well as the existence of tax losses in certain territories which could be available to offset future taxable income in certain territories and for which no deferred tax asset is currently recognised.

13 Intangible assets

	IT software	IT development costs	Customer contract payments	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2019	4,619	5,398	12,045	22,062
Additions	757	1,307	2,500	4,564
At 31 December 2019	**5,376**	**6,705**	**14,545**	**26,626**
Accumulated amortisation and impairment				
At 1 January 2019	2,307	3,246	3,875	9,428
Charge for the year	1,030	1,138	1,705	3,873
At 31 December 2019	**3,337**	**4,384**	**5,580**	**13,301**
Net book value				
At 31 December 2019	**2,039**	**2,321**	**8,965**	**13,325**
At 31 December 2018	2,312	2,152	8,170	12,634

IT software includes purchased off the shelf programmes and the cost of consultancy related to creating new applications.

Development costs relate to the capitalisation of staff costs, where the staff have developed new IT programming for the use of the business, which generate future economic benefits.

Customer contract payments relate to upfront contractual payments made where the benefit accrues over the life of the contract the payment relates to. These are amortised over the year of the contracts which are between 1 and 10 years.

14 Tangible assets

	Freehold buildings	Plant and machinery	Fixtures equipment and computers	Motor vehicles	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2019	2,328	2,482	5,807	119	-	10,736
Additions	10	331	1,051	-	89	1,481
At 31 December 2019	**2,338**	**2,813**	**6,858**	**119**	**89**	**12,217**
Accumulated depreciation						
At 1 January 2019	1,206	1,433	3,739	61	-	6,439
Charge for the year	50	299	743	27	-	1,119
At 31 December 2019	**1,256**	**1,732**	**4,482**	**88**	**-**	**7,558**
Net book value						
At 31 December 2019	**1,082**	**1,081**	**2,376**	**31**	**89**	**4,659**
At 31 December 2018	1,122	1,049	2,068	58	-	4,297

15 Investments

	Shares in Group undertakings
Cost and net book value	**£'000**
At 1 January 2019	17
Disposals	(17)
At 31 December 2019	**-**
At 31 December 2018	17

The cost of shares in Group undertakings at the start and end of year represents the investment in the whole of the issued share capital of Pattonair Berlin GmbH which is registered in Germany and whose registered address is c/o Rolls-Royce Eschenweg 11 P/O 96, 15827 Dahlewitz Berlin. Pattonair Berlin GmbH distributes components to the aerospace industry.

During the year, as part of the legal entity rationalisation project, the Company transferred its entire shareholding in Pattonair Berlin GmBH to a fellow subsidiary in exchange for consideration of £2,802,000, recognising a gain on disposal of £2,785,000.

16 Inventories

	31 December 2019	31 December 2018
	£'000	£'000
Finished goods and goods for resale	**69,831**	54,076

Inventories are stated after provisions for impairment of £1,774,000 (31 December 2018: £1,454,000).

The total carrying amount of stocks pledged as security for liabilities in the year amounted to £69,831,000 (31 December 2018: £54,076,000).

The replacement cost and the cost of finished goods as stated above are not significantly different in both years.

17 Debtors

	31 December 2019 £'000	31 December 2018 £'000
Amounts falling due within one year		
Trade debtors	**42,863**	41,011
Amounts owed by group undertakings	**91,356**	75,018
Corporation taxation	**1,331**	1,458
Other debtors	**814**	1,044
Prepaid debt issue costs	**347**	347
Prepayments	**1,095**	832
Accrued income	**4,938**	6,300
	142,744	126,010
Amounts falling due after more than one year		
Deferred taxation (note 20)	**814**	-
Prepaid debt issue costs	**724**	1,071
	1,538	1,071
Total debtors	**144,282**	127,081

All amounts owed by group undertakings are unsecured, non-interest bearing and are repayable on demand. There are no provisions for impairment in trade debtors in either year.

Prepaid debt costs relate to the Asset Based Lending ("ABL") facility which was taken out in 2017 (see note 19). The loan facility is available to the Company until 31 July 2022. However, this was repaid on 9 January 2020 as part of the Merger (see note 27).

The total carrying amount of trade receivables pledged as security for liabilities in the year amounted to £42,863,000 (31 December 2018: £41,011,000).

18 Creditors: amounts falling due within one year

	31 December 2019 £'000	31 December 2018 £'000
Trade creditors	**44,734**	34,007
Amounts owed to group undertakings	**86,221**	113,309
Other creditors	**426**	1,176
Other taxation and social security	**433**	496
Accruals and deferred income	**4,612**	2,162
	136,426	151,150

Amounts owed to group undertakings are unsecured, non-interest bearing and are repayable on demand.

Intercompany loans payable to a fellow subsidiary of £1.0 million was waived during the year; this has been recognised as a gain in profit and loss (see note 6).

19 Creditors: amounts falling due after more than one year

	31 December 2019 £'000	31 December 2018 £'000
Bank loans and overdrafts	**53,367**	12,782
Deferred tax	-	137
	53,367	12,919

In 2017, the Company entered into a new group asset-based lending ("ABL") facility. The ABL is secured against certain inventory and receivables of the Company, as noted within note 16 and note 17 respectively. This loan bears interest between 1.5% and 2.0% above the 90-day UK LIBOR rate. The loan facility is available to the Company until 31 July 2022. However, this was repaid on 9 January 2020 as part of the Merger (see note 27).

20 Deferred tax

	£'000
At 1 January 2019	(137)
Comprehensive income charge (note 12)	951
At 31 December 2019	**814**

The closing balance is analysed as follows:

	31 December 2019	31 December 2018
	£'000	£'000
Depreciation less than capital allowances	**489**	(157)
Other timing differences	**325**	20
Deferred tax asset/(liability)	**814**	(137)

The figures are based upon a rate of 17% (31 December 2018: 17%).

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the Company's future current tax charge accordingly and increase the deferred tax asset.

21 Called up share capital

	31 December 2019	31 December 2018
Allotted, called up and fully paid		
2 (31 December 2018: 2) Ordinary shares of £1 each	**2**	**2**

There is a single class of allotted, called up and fully paid ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

22 Contingent liabilities

Under the UK asset-based lending arrangement the Company is jointly and severally liable for the total borrowings under the arrangement. At 31 December 2019, this contingent liability amounted to £62,563,000 (31 December 2018: £19,746,000), given the liability already recognised within the Company of £53,367,000 (31 December 2018: £12,782,000).

Contracted capital commitments at the end of the year for which no provision has been made were £nil (31 December 2018: £386,000).

23 Commitments

At 31 December 2019, the Company was committed to the following payments under non-cancellable operating leases for each of the following years:

	31 December 2019	31 December 2018
	£'000	£'000
Minimum payments under non-cancellable operating leases which fall due:		
Within one year	**502**	435
Between one and five years	**1,293**	385
Greater than five years	**70**	128
	1,865	948

24 Pension scheme

The pension charge relating to the defined contribution schemes was £831,000 (year ended 31 December 2018: £678,000). Contributions outstanding to the schemes at 31 December 2019 were £135,000 (31 December 2018: £110,000).

25 Related party transactions

As the Company was a subsidiary of PE Pioneer Holding II Holdings Limited at 31 December 2019, the Company has taken advantage of the exemption contained under FRS102 paragraph 33.11(b) and has therefore not disclosed transactions or balances with entities which are subsidiaries PE Pioneer Holding II Limited.

26 Ultimate holding Company and ultimate controlling party

The immediate parent undertaking is Pattonair Europe Limited, a Company incorporated in Great Britain and registered in England and Wales.

The ultimate controlling party is Platinum Equity Partners International IV (Cayman), L.P., the general partner of Platinum Equity Capital Partners International IV (Cayman), L.P., a fund managed by Platinum Equity Advisers, LLC. The parent undertaking of the largest group to consolidate the financial statements is Pattonair Holdings Limited.

Pattonair Holdings Limited is the parent undertaking of both the smallest and largest Group of undertakings to consolidate these financial statements. The consolidated financial statements of Pattonair Holdings Limited can be obtained from Pattonair Group, Ascot Business Park, 50 Longbridge Lane, Derby, DE24 8UJ.

27 Post balance sheet event

Merger with Wesco

On 8 August, 2019, an affiliate of Platinum entered into a definitive merger agreement to acquire Wesco indirectly through the Pattonair Group. The closing of the transactions contemplated by such agreement and the Merger occurred on 9 January, 2020.

Prior to the closing of the Merger, a series of transactions were effectuated pursuant to which, the underlying trade and assets of the Pattonair business were ultimately reorganised under Wolverine Merger Corporation, a special purpose vehicle formed for purposes of such transactions and the Merger and indirect subsidiary of Platinum. Wolverine Merger Corporation was subsequently merged with and into Wesco upon closing of the Merger. In addition, as part of such transactions, the Pattonair Group and Wesco repaid in full their existing indentures and notes. The enlarged group entered into new senior credit agreements and issued new senior secured notes and senior unsecured notes.

Repayment of ABL facilities

As at 31 December 2019, the Company owed £53.4 million under its ABL facilities due for repayment in July 2022. However, this was repaid on 9 January 2020 as part of the Merger noted above.

Covid-19

On 30 January 2020, the WHO announced Coronavirus as a global health emergency. Management has exercised significant judgment when determining whether any adjustments are required to the financial statements as at 31 December 2019. It has been concluded that none of the conditions at balance sheet date indicated that any adjustments would be required to the Company's financial statements.

Restructuring

In June 2020 Incora Group announced plans to right size the busines as a result of COVID-19 and the Merger. This was communicated to the employees in June 2020, following a consultation period of 45 days. The redundancy process started during July 2020 and is expected to be complete by June 2021.