Pattonair Holdings Limited

Annual report and financial statements

Registered number 07525433

For the year ended 31 December 2019

Contents

Strategic Report

The Directors of Pattonair Holdings Limited, an England and Wales private company limited by shares (the "Company" or the "parent company") present their strategic report of the Company and its subsidiaries (together, the "Group", the "group", the "Pattonair Holdings Group" "we" or "our") for the year ended 31 December 2019.

Principal activities

The principal activity of the Group is the provision of distribution and value added supply chain management services to the civil aerospace and defence industries across the globe. The principal activity of the Company is as a holding company.

Business review and future developments

The Group focuses on the C-class segment of the aerospace market, specializing in parts for civil and defence aircraft engines, and other aircraft mechanical systems (e.g. landing gears). The service offering includes sourcing, procurement, warehousing, product movement and other bespoke services based on customer-specific requirements. Products include springs, bearings, fasteners, cable grips, electrical components, pipes and seals. We manage and report results as a single segment as our operations are seamless and united, however they can be divided into four geographic segments: United Kingdom ("UK"), Rest of Europe, Americas and Rest of World.

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 Group 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. Our diverse, global customer base includes some of the largest blue-chip multinationals in the aerospace sector.

During the year ended 31 December 2019, Group turnover was £340.6 million compared to the 9 months period ended 31 December 2018 of £244.6 million. This improvement in revenue is driven by increased volumes in Europe and Asia offset by reduction in the UK.

The Group's earnings before interest, tax, depreciation, amortisation, non-underlying costs for the year ended 31 December 2019 was £34.3 million *(9 months period ended 31 December 2018: £25.1 million).*

During the year ended 31 December 2019, the Group acquired the entire share capital of Mercurius Holdings Limited and its subsidiary undertaking Adams Aviation Limited. This group of companies are engaged in the supply of aircraft equipment parts and accessories. The total consideration paid for the acquisition was £17.2m (see note 32),

The Company's profit for the year was £0.1 million *(9 months period ended 31 December 2018: loss of £(1.0) million).*

Post balance sheet event

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.

Strategic report (continued)

Capital resources and liquidity

The wider Pattonair Group was funded by $280 million Senior Secured Notes, and an asset-based lending ('ABL') facility of up to £100 million. At 31 December 2019, the wider Pattonair Group 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 wider 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 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 were repaid on 9 January 2020 as part of the merger. The enlarged Incora Group entered into new senior credit agreements and issued new senior secured notes and senior unsecured notes.

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, by the way of a letter of support, has sufficient liquidity to fund its operations for at least 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.

Funding arrangements

The Group is funded by the Incora Group ABL facility. In order to right size the business post COVID-19 pandemic, the 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;
- Reduced capital expenditure.

Strategic report (continued)

Funding arrangements (continued)

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 and Pattonair Limited. The Incora Group 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, and, if required, the Pattonair Group has, by the way of a letter of support, 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.

Financial risk management

The Group'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 Group by monitoring levels of debt finance and the related finance costs.

Strategic report (continued)

Financial risk management (continued)

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

Interest rate risk

The Group's main interest-bearing liability is in relation to the (asset-based lending facility) of which the interest rate is floating.

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.'

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 paragraphs summarise 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.

Strategic report (continued)

The Directors' duties (continued)

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.

Key performance indicators

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

		Year ended 31 December 2019	**9 months ended 31 December 2018**
			Unaudited
Turnover	As per statement of comprehensive income	**£340.6 million**	£244.6 million
Gross margin %	Gross profit divided by turnover	**21.4%**	20.6%
EBITDA	Operating profit after adding back any depreciation, amortisation and non-recurring items	**£34.3 million**	£25.1 million

These KPIs reflect the health of the Group and the Group targets growth in turnover and EBITDA as indicators that the Group is improving its financial position.

Strategic report (continued)

Results

Profit after tax for the year was £3.7 million *(9 months ended 31 December 2018: £ 45.6 million)*. The results for the year are shown in the statement of comprehensive income on page 14. The results include £5.0 million *(9 months ended 31 December 2018: £1.04 million)* of non-recurring administrative costs. In the 9 months ended 31 December 2018, non-recurring income of £40 million arose from the of waiver of intercompany payable due to a fellow subsidiary in the wider Pattonair Group. Debt issue costs amortised in the year were £0.5 million *(9 months ended 31 December 2018: £0.4 million)*.

The Group has net assets of £72.6 million as at 31 December 2019 *(31 December 2018: £70.1 million)*.

The Company has net assets of £1.5 million as at 31 December 2019 *(31 December 2018: £1.4 million)*.

On behalf of the board

M Whatling
Director

10 December 2020

Directors' Report

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

Directors

The directors who held office during the year ended 31 December 2019 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 (9 months period ended 31 December 2018: £nil).

Future developments

These have been discussed in the strategic report.

Post balance sheet events

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 Pattonair Group owed £51.5 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 business 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 complete in June 2021.

Directors' report *(continued)*

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.

Creditor payment policy

It is the Group's normal procedure to agree terms of transactions, including payment patterns, with suppliers in advance and to adhere to those terms when making payment. At 31 December 2019, the Group had 68 days purchases outstanding in creditors

Statement of directors' responsibilities for the year ended 31 December 2019

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 group and parent company 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 group and parent company and of the profit or loss of the group and parent 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 parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' report *(continued)*

Statement of directors' responsibilities for the year ended 31 December 2019 (continued)

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 group and parent 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 group and parent 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 auditor's report to the members of Pattonair Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Pattonair Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's profit and cash flows 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 Consolidated Statements (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheet as at 31 December 2019; the Consolidated Profit and Loss account; Consolidated Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement, and the Group and Company 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 group 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 group's and 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 group's and 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.

Reporting on other information (continued)

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.

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 group and company and their 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 for the year ended 31 December 2019 set out on page 9, 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 group's and 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 group or 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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other matter

The financial statements for the nine months period ended 31 December 2018, forming the corresponding figures of the financial statements for the year ended 31 December 2019, are unaudited.

Richard Kay (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
10 December 2020

Consolidated Profit and Loss Account

for year ended 31 December 2019

		Year ended 31 December 2019			Unaudited 9 months period ended 31 December 2018		
	Note	**Underlying**	**Non-recurring (note 5)**	**Total**	Underlying	Non-recurring (note 5)	Total
		£000	**£000**	**£000**	£000	£000	£000
Turnover	*3*	**340,570**	**-**	**340,570**	244,567	-	244,567
Cost of sales		**(267,749)**	**-**	**(267,749)**	(194,085)	-	(194,085)
Gross profit		**72,821**	**-**	**72,821**	50,482	-	50,482
Administrative expenses		**(50,958)**	**(5,042)**	**(56,000)**	(32,865)	(1,039)	(33,904)
Other operating income	*6*	**3,618**	**-**	**3,618**	1,724	40,000	41,724
Operating profit	*4*	**25,481**	**(5,042)**	**20,439**	19,341	38,961	58,302
Interest receivable and similar income	*10*	**130**	**-**	**130**	356	-	356
Interest payable and similar expenses	*11*	**(14,602)**	**-**	**(14,602)**	(12,662)	-	(12,662)
Profit before taxation		**11,009**	**(5,042)**	**5,967**	7,035	38,961	45,996
Tax on profit	*12*	**(3,228)**	**958**	**(2,270)**	(557)	197	(360)
Profit for the financial year/period		**7,781**	**(4,084)**	**3,697**	6,478	39,158	45,636

The notes to the financial statements on pages 21 to 48 form an integral part of these financial statements.

Consolidated Statement of Other Comprehensive Income

for year ended 31 December 2019

	Year ended 31 December 2019 £000	Unaudited Period ended 31 December 2018 £000
Profit for the year	**3,697**	45,636
Other comprehensive (expense)/income		
Foreign exchange differences on translation of foreign operations	**(1,268)**	1,208
Other comprehensive (expense)/income for the year, net of income tax	**(1,268)**	1,208
Total comprehensive income for the year	**2,429**	46,844

The notes to the financial statements on pages 21 to 48 form an integral part of these financial statements.

Consolidated Balance Sheet

at 31 December 2019

	Note	2019 £000	2019 £000	Unaudited 2018 £000	Unaudited 2018 £000
Fixed assets					
Intangible assets					
Goodwill	*13*	**24,141**		23,704	
Other intangibles	*13*	**22,421**		13,188	
		46,562		36,892	
Tangible assets	*14*	**8,732**		7,883	
			55,294		44,775
Current assets					
Stocks	*16*	**143,697**		112,249	
Debtors	*17*	**192,129**		166,042	
Cash at bank and in hand	*18*	**8,638**		10,062	
		344,464		288,353	
Creditors: amounts falling due within one year	*19*	**(272,202)**		(249,005)	
Net current assets			**72,262**		39,348
Total assets less current liabilities			**127,556**		84,123
Creditors: amounts falling due after more than one year	*20*		**(51,511)**		(11,787)
Provisions for liabilities					
Deferred tax liability	*22*	**(1,280)**		-	
Provisions	*23*	**(2,164)**		(2,164)	
			(3,444)		(2,164)
Net assets			**72,601**		70,172
Capital and reserves					
Called up share capital	*26*		**96**		96
Share premium account			**2,096**		2,096
Other reserves			**1,154**		1,154
Profit and loss account			**69,255**		66,826
Total shareholders' funds			**72,601**		70,172

The notes to the financial statements on pages 21 to 48 form an integral part of these financial statements. These financial statements were approved by the board of directors on 10 December 2020.

Signed on behalf of the Board of Directors

M Whatling
Director

Company registered number: 07525433

Company Balance Sheet

at 31 December 2019

	Note	**2019**		Unaudited 2018	
		£000	**£000**	£000	£000
Fixed assets					
Investments	*15*		**2,041**		2,041
			2,041		2,041
Current assets					
Debtors	*17*	**44,053**		49,929	
		44,053		49,929	
Creditors: amounts falling due within one year	*19*	**(44,581)**		(50,566)	
Net current liabilities			**(528)**		(637)
Total assets less current liabilities			**1,513**		1,404
Net assets			**1,513**		1,404
Capital and reserves					
Called up share capital	*26*		**96**		96
Share premium account			**2,096**		2,096
Other reserves			**1,154**		1,154
Profit and loss account			**(1,833)**		(1,942)
Total shareholders' funds			**1,513**		1,404

The notes to the financial statements on pages 21 to 48 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 10 December 2020.

Signed on behalf of the Board of Directors

M Whatling
Director

10 December 2020

Company registered number: 07525433

Consolidated Statement of Changes in Equity

	Called up share capital £'000	Share premium £'000	Other reserves £'000	Profit & loss account £'000	Total shareholders' funds £'000
Balance at 1 January 2019	96	2,096	1,154	66,826	**70,172**
Total comprehensive income					
Profit for the financial year	-	-	-	3,697	**3,697**
Other comprehensive expense	-	-	-	(1,268)	**(1,268)**
Balance at 31 December 2019	**96**	**2,096**	**1,154**	**69,255**	**72,601**

Unaudited	Called up share capital £'000	Share premium £'000	Other reserves £'000	Profit & loss account £'000	Total shareholders' funds £'000
Balance at 1 April 2018	96	2,096	1,154	19,982	23,328
Total comprehensive income					
Profit for the financial period	-	-	-	45,636	45,636
Other comprehensive income	-	-	-	1,208	1,208
Balance at 31 December 2018	96	2,096	1,154	66,826	70,172

Company Statement of Changes in Equity

	Called up share capital £'000	Share premium £'000	Other reserves £'000	Profit & loss account £'000	Total shareholders' funds £'000
Balance at 1 January 2019	96	2,096	1,154	(1,942)	1,404
Total comprehensive income					
Profit for the financial year	-	-	-	109	109
Balance at 31 December 2019	**96**	**2,096**	**1,154**	**(1,833)**	**1,513**

Unaudited	Called up share capital £'000	Share premium £'000	Other reserves £'000	Profit & loss account £'000	Total shareholders' funds £'000
Balance at 1 April 2018	96	2,096	1,154	(922)	2,424
Total comprehensive expense					
Loss for the financial period	-	-	-	(1,020)	(1,020)
Balance at 31 December 2018	**96**	**2,096**	**1,154**	**(1,942)**	**1,404**

Consolidated Cash Flow Statement

for year ended 31 December 2019

	Note	Year ended 31 December 2019 £000	Unaudited Period ended 31 December 2018 £000
Cash flows from operating activities			
Profit for the year		**3,697**	45,636
Adjustments for:			
Depreciation and amortisation	*13,14*	**8,787**	5,807
Interest receivable and similar income	*10*	**(130)**	(356)
Interest payable and similar expenses	*11*	**14,602**	12,662
Taxation	*12*	**2,270**	360
Waiver of intercompany loan		**-**	(40,000)
		29,226	24,109
(Decrease)/increase in stocks		**(23,136)**	812
(Increase) in trade and other debtors		**(26,898)**	(5,708)
Increase/(decrease) in trade and other creditors		**8,478**	(18,232)
		(12,330)	981
Interest paid		**(1,605)**	(777)
Tax paid		**(1,720)**	(2,820)
Net cash used in operating activities		**(15,655)**	(2,616)
Cash flows from investing activities			
Interest received		**130**	356
Acquisition of a subsidiary, net of cash acquired	*32*	**(16,186)**	-
Acquisition of tangible fixed assets	*14*	**(2,587)**	(1,529)
Acquisition of other intangible assets	*13*	**(4,565)**	(4,916)
Net cash used in investing activities		**(23,208)**	(6,089)
Cash flows from financing activities			
Proceeds from borrowings		**39,185**	10,143
Net cash generated from financing activities		**39,185**	10,143
Net increase in cash and cash equivalents		**322**	1,438
Cash and cash equivalents at start of the financial year/period		**8,316**	6,878
Cash and cash equivalents at 31 December	*18*	**8,638**	8,316

Notes

(forming part of the financial statements)

1 Accounting policies

Pattonair Holdings Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 07525433 and the registered address is Ascot Business Park, 50 Longbridge Lane, Derby, DE24 8UJ, England.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the prior period, for the 9 months period ended 31 December 2018, the Company took advantage of the exemption available under s400 of the Companies Act to not prepare group financial statements. The Company has prepared consolidated financial statements for the year end 31 December 2018, including comparatives for the prior period on a consistent basis.

For the 9 months period ended 31 December 2018, the Company took advantage of the exemption from audit under section 479A of the Companies Act 2006. Consequently, the financial results presented in these financial statements for the 9 months period ended 31 December 2018 are unaudited.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

1.1 Change in accounting policy/prior period adjustment

In these financial statements the Company has applied the following amendments to FRS 102, with the date of transition being 1 April 2018, in the following areas:

- Triennial Review 2017 Amendments: Section 7 Statement of Cash Flows. As a result a net debt reconciliation has been disclosed for the Group.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis.

1.3 Going concern

The Group'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 and 7.

The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business. On the basis of their assessment of the Group and the Company's financial position, the directors have a reasonable expectation that the Group, and the Company, will be able to continue in operational existence for the foreseeable future. Furthermore, the Group and Company is ultimately funded by the wider Group and has 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.4 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2019. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

1.5 Foreign currency

Transactions in foreign currencies are translated to the Group companies' 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 profit and loss account.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation of the Group foreign operations are recognised in other comprehensive income.

1.6 Basic 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 profit and loss account.

If there is a 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 profit and loss account.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Basic financial instruments (continued)

Financial assets (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 borrowing facilities are recognised as transaction costs of the borrowing 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 years/periods 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.

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

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. 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.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Prior to the transaction, goodwill was amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 10 years.

The Group reviews the amortisation year and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with FRS 102 paragraph Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.8 Other intangible assets

Intangible assets, other than Goodwill, are stated at cost less accumulated amortisation and accumulated impairment losses. At the transaction date intangible assets have been restated at fair value and are thereafter stated at fair value less accumulated amortisation.

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

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of intangible assets. The estimated useful lives are as follows:

IT software	1-4 years
IT development costs	4 years
Customer contract payments	Length of contract
Customer relationships	10 years
Trademarks	10 years

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

1.9 Tangible fixed assets

Tangible assets are stated at cost less accumulated amortisation 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 (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Freehold land	not depreciated
Freehold buildings	50 years
Fixtures and fittings	10% - 33% per annum
Plant and machinery	10% - 25% per annum
IT equipment	25% - 33% per annum

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 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 Group has a formal policy for making appropriate provisions to ensure inventories are stated at the lower of cost and net realisable value. 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 Group's control.

1.11 Pensions contributions

The Group has a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in an independently administered fund. All contributions are charged to the profit and loss account as incurred.

1.12 Provisions

A provision is recognised in the balance sheet when the Group 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.

1.13 Turnover

Revenue is recognised from sale of goods and rendering of services.

The Group 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 Group 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.14 Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account 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 profit and loss over the term of the lease as an integral part of the total lease expense.

1.15 Interest receivable and interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested. Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.16 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account 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 or receivable on the taxable income or loss 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. Deferred tax is also provided on the fair value adjustment recognised on tangible assets, intangible assets and current assets and liabilities as a result of the transaction. 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.

1.17 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.18 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.

1.19 Non-underlying items

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

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, management 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.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements that the Manager has 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.

Presentation of non-underlying items

The Group 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 Group.

Key accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Inventory provisioning

The Group 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, the Manager 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 Manager 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.

Notes *(continued)*

3 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 £000	Unaudited Period ended 31 December 2018 £000
Turnover by class of business		
Sale of goods	**299,151**	214,709
Rendering of inventory management services	**41,419**	29,858
	340,570	244,567
Turnover by geographical origin		
United Kingdom	**238,451**	179,133
Rest of the Europe	**57,162**	38,245
Asia and Rest of the World	**44,957**	27,189
	340,570	244,567
Turnover by geographical markets supplied		
United Kingdom	**193,444**	154,279
Rest of the Europe	**75,752**	45,680
Americas	**8,583**	5,911
Asia and Rest of the World	**62,791**	38,697
	340,570	244,567

4 Operating profit/(loss)

	Year ended 31 December 2019 £000	Unaudited Period ended 31 December 2018 £000
Operating profit is stated after charging/(crediting):		
Amortisation of goodwill	**2,791**	2,013
Amortisation of other intangible assets	**4,286**	2,641
Depreciation of tangible fixed assets	**1,710**	1,153
Impairment of inventories	**508**	243
Inventory recognised as an expense	**253,589**	184,392
Operating lease rentals:		
Plant and machinery	**1,071**	492
Other	**885**	645
Unrealised foreign exchange gain	**(1,462)**	(22)

Notes *(continued)*

5 Non-underlying expenses

	Year ended 31 December 2019 £000	Unaudited Period ended 31 December 2018 £000
Redundancy costs	**1,573**	195
Reorganisation and consultancy costs	**3,168**	24
Others	**301**	820
Non-underlying administrative expenses before tax	**5,042**	1,039
Non-underlying tax credit	**(958)**	(197)
Total non-underlying expense in the profit and loss account	**4,084**	842

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.

6 Other operating income

	Year ended 31 December 2019 £000	Unaudited Period ended 31 December 2018 £000
Management recharges to other group undertakings	**3,618**	1,724
Waiver of payable due to other group undertakings	-	40,000
	3,618	**41,724**

In the 9 months period ended 31 December 2018, intercompany loan payable of £40 million to a fellow subsidiary was waived; the resulting gain has been credited to the profit and loss.

Notes *(continued)*

7 Auditors' remuneration

	Year ended 31 December 2019 £000	Unaudited Period ended 31 December 2018 £000
Audit of these financial statements	**102**	-
Amounts receivable by the company's auditors and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	**315**	178
Other tax advisory services	**205**	281
Corporate finance services	**1,011**	-
All other services	**100**	-
	1,631	504

8 Staff numbers and costs

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

	Number of employees	
	Year ended 31 December 2019	Unaudited Period ended 31 December 2018
Sales & distribution	**693**	515
Administration	**337**	375
	1,030	890

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2019 £000	Unaudited Period ended 31 December 2018 £000
Wages & Salaries	**29,738**	20,335
Social security costs	**4,236**	2,946
Contributions to defined contribution plans	**1,181**	763
	35,155	24,044

Notes *(continued)*

9 Directors' remuneration

	Year ended 31 December 2019 £000	Unaudited Period ended 31 December 2018 £000
Directors' remuneration	**605**	454
Company contributions to money purchase pension plans	**27**	17
	632	471

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £364,000 *(period ending 31 December 2018:£288,000)*, and company pension contributions of £18,000 *(period ending 31 December 2018:£9,000)* were made to a money purchase scheme on his behalf.

	Number of directors Year ended 31 December 2019	Unaudited Period ended 31 December 2018
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**2**	2

10 Interest receivable and similar income

	Year ended 31 December 2019 £000	Unaudited Period ended 31 December 2018 £000
Bank interest receivable	**73**	57
Interest received on amounts owed by fellow subsidiaries	**57**	299
	130	356

11 Interest payable and similar expenses

	Year ended 31 December 2019 £000	Unaudited Period ended 31 December 2018 £000
Bank loans and overdrafts	**1,538**	590
Amortisation of debt issue costs	**533**	391
Interest payable on amounts owed by fellow subsidiaries	**12,464**	11,670
Other	**67**	11
	14,602	12,662

Notes *(continued)*

12 ddddddTax on profit/(loss)

Total tax expense recognised in the profit and loss account

	Year ended 31 December 2019 £000	Unaudited Period ended 31 December 2018 £000
Current tax		
Current tax on income for the period	**3,960**	1,897
Adjustments in respect of prior periods	**(699)**	(1,666)
Other current tax	**15**	55
Total current tax	**3,276**	287
Deferred tax (see note 22)		
Origination and reversal of timing differences	**62**	(143)
Change in tax rate	**(1,068)**	217
Total deferred tax	**(1,006)**	73
Total tax	**2,270**	360

Analysis of current tax recognised in profit and loss

	Year ended 31 December 2019 £000	Unaudited Period ended 31 December 2018 £000
UK corporation tax	**2,638**	723
Overseas tax	**638**	(363)
Total current tax recognised in profit and loss	**3,276**	360

Notes *(continued)*

12 Tax on profit/(loss)

Reconciliation of effective tax rate

	Year ended 31 December 2019 £000	Unaudited Period ended 31 December 2018 £000
Profit for the year	**3,697**	45,636
Profit excluding taxation	**5,967**	45,996
Tax using the UK corporation tax rate of 19 % (2018: 19%)	**1,134**	8,739
Effect of tax rates in overseas jurisdictions	**147**	499
Change in tax rate	**(119)**	(206)
Non-deductible expenses	**2,571**	478
Tax exempt revenues	**(58)**	(8,077)
Current year losses for which no deferred tax asset was recognised	**437**	114
Adjustments in respect of prior periods	**(1,767)**	(1,180)
Others	**(75)**	(7)
Total tax included in profit or loss	**2,270**	360

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 nonrecognition 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.

Notes *(continued)*

13 Goodwill and other intangibles

Group

	Goodwill £000	IT Software	IT Development £000	Customer contract payments £000	Customer Relationships £000	Total £000
Cost						
Balance at 1 January 2019 (unaudited)	39,033	4,619	5,576	13,110	-	62,338
Additions	-	757	1,308	2,500	-	4,565
Acquisitions	3,228	-	-	-	8,954	12,182
Balance at 31 December 2019	42,261	5,376	6,884	15,610	8,954	79,085
Amortisation and impairment						
Balance at 1 January 2019 (unaudited)	15,329	2,308	3,359	4,450	-	25,446
Amortisation for the year	2,791	1,030	1,139	1,819	298	7,077
Balance at 31 December 2019	18,120	3,338	4,498	6,269	298	32,523
Net book value						
At 31 December 2019	**24,141**	**2,038**	**2,386**	**9,341**	**8,656**	**46,562**
At 31 December 2018 (unaudited)	23,704	2,311	2,217	8,660	-	36,892

Goodwill is amortised on a straight-line basis over 10 years. The directors estimates that this is the period over which the value of the underlying business is expected to exceed the value of the underlying assets.

IT Software includes purchased off the shelf programmes and the cost of consultancy related to creating new applications and is amortised over 1-4 years.

IT Development costs relate to internal staff costs capitalised on new IT programs for the use of the business, which generate future economic benefits. These are amortised over 4 years.

Customer relationships recognise the value of the Group's contracts and customer relationships which were assessed on acquisition by external valuers using the excess earnings method. They are being amortised over 10 years, this being the economic life estimated by external valuers and the Manager.

Customer contract payments include upfront contractual payments made where the benefit accrues over the life of the contract that the payment relates to, which are being amortised over the year of the contract of between 5 and 10 years.

Company

The Company has no intangible assets or goodwill.

Notes *(continued)*

14 Tangible assets

Group

	Land and buildings £000	Fixtures & Fittings £000	Plant & Machinery £000	IT Equipment £000	Total £000
Cost					
Balance at 1 January 2019 (unaudited)	6,105	4,991	3,698	6,507	21,301
Additions	9	862	717	1,011	2,599
Acquisitions	-	-	71	-	71
Foreign exchange	-	6	(84)	11	(67)
Balance at 31 December 2019	6,114	5,859	4,402	7,529	23,904
Depreciation and impairment					
Balance at 1 January 2019 (unaudited)	2,368	3,719	2,257	5,074	13,418
Depreciation charge for the year	119	310	413	868	1,710
Foreign exchange	-	35	-	9	44
Balance at 31 December 2019	2,487	4,064	2,670	5,951	15,172
Net book value					
At 31 December 2019	**3,627**	**1,795**	**1,732**	**1,578**	**8,732**
At 31 December 2018 (unaudited)	3,737	1,272	1,441	1,433	7,883

The historic cost of freehold land which was not depreciated at 31 December 2019 amounted to £500,000 *(unaudited 31 December 2018: £500,000).*

No borrowing costs were capitalised during the year *(unaudited 31 December 2018: £nil).*

Commitments for capital expenditure which were contracted at the year-end but not provided for amounted to £nil *(unaudited 31 December 2018: £nil).*

Company

The Company has no tangible fixed assets.

Notes *(continued)*

15 Investments

Company

	Shares in group undertakings £000
Cost and net book value	
At 31 December 2019	**2,041**
At 31 December 2018 (unaudited)	2,041

The investment relates to the company's ownership of 100% of the ordinary share capital of Quicksilver Midco Limited. The directors believe that the carrying value of investments is supported by the net assets and by the underlying trading businesses owned by Quicksilver Midco Limited.

16 Stocks

Group

	2019 £000	Unaudited 2018 £000
Finished goods and goods for resale	**143,697**	112,249

Inventories are stated after provisions for impairment of £9,963,000 *(unaudited 31 December 2018: £9,506,000)*. The write down of inventory recognised in profit and loss for the year amounts to £508,000 *(unaudited 9 months ended 31 December 2018: £243,000)*.

The total carrying amount of stocks pledged as security for liabilities amounted to £127,324,000 *(unaudited 31 December 2018: £103,785,000)*. The replacement cost and the cost of finished goods as stated above are not significantly different in both years.

Company

The Company has no stock.

Notes *(continued)*

17 Debtors

	Group 2019 £000	Unaudited 2018 £000	Company 2019 £000	Unaudited 2018 £000
Trade debtors	**85,614**	76,895	**-**	-
Amounts owed by group undertakings	**96,695**	77,568	**44,053**	49,929
Corporation tax	**560**	1,516	**-**	-
Other debtors	**1,520**	2,016	**-**	-
Deferred tax asset (see note 22)	**1,234**	504	**-**	-
Prepayments and accrued income	**6,506**	7,542	**-**	-
	192,129	166,042	**44,053**	49,929
Due within one year	**190,895**	164,678	**44,053**	49,929
Due after more than one year	**1,234**	504	**-**	-
	192,129	166,042	**44,053**	49,929

Trade debtors are stated after provisions for impairment of £197,000 *(unaudited 31 December 2018: £872,000).* Intercompany loan receivables of £49.0 million *(unaudited 31 December 2018: £49.0 million)* attracts interest at a rate of 9.2%. All other amounts owed by other group undertakings are unsecured, interest-free and repayable on demand.

18 Cash and cash equivalents/ bank overdrafts

Group

	2019 £000	Unaudited 2018 £000
Cash at bank and in hand	**8,638**	10,062
Bank overdrafts	**-**	(1,746)
Cash and cash equivalents per cash flow statements	**8,638**	8,316

Company

The Company has no cash or cash equivalents.

Notes *(continued)*

19 Creditors: amounts falling due within one year

	Group	Unaudited	Company	Unaudited
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Bank loans and overdrafts	**-**	1,746	**-**	-
Trade creditors	**67,913**	52,594	**-**	-
Amounts owed to group undertakings	**192,196**	184,899	**43,952**	49,836
Corporation tax	**1,167**	1,410	**629**	730
Other taxation and social security	**3,170**	2,380	**-**	-
Other creditors	**1,242**	2,169	**-**	-
Accruals and deferred income	**6,514**	3,807	**-**	-
	272,202	249,005	**44,581**	50,566

Intercompany loans payable of £135.4 million *(2018: £135.4m)* attracts interest at a rate of 9.2%. All other amounts owed to other group undertakings are unsecured, interest-free and repayable on demand.

20 Creditors: amounts falling due after more than one year

	Group	Unaudited	Company	Unaudited
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Other payables	**7**	-	**-**	-
Asset based lending (see note 21)	**51,504**	11,787	**-**	-
	51,511	11,787	**-**	-

Notes *(continued)*

21 Borrowings

	Group	Unaudited	Company	Unaudited
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Borrowings falling due within one year				
Bank overdraft	-	1,746	-	-
Borrowings falling due after more than one year				
Asset based lending	**53,132**	13,947	-	-
Unamortised issue costs	**(1,628)**	(2,160)	-	-
	51,504	11,787	-	-
Total borrowings	**51,504**	13,533	-	-
Cash at bank and in hand	**(8,638)**	(10,062)	-	-
Net debt	**42,866**	3,471	-	-

Asset based lending

At 31 December 2019, the Asset Based Lending ("ABL") facility was £100,000,000 *(unaudited 31 December 2018: £100,000,000).* At 31 December 2019, £53,132,000 *(unaudited 31 December 2018: £13,947,000)* was drawn. This facility is secured against certain debtors and inventory of the Group and bears interest at 1.5% above the 90 day UK LIBOR rate. This loan can be drawn in Sterling, US Dollars or Euros.

The £100,000,000\facility was due for final repayment on 31 July 2022, however, this was repaid on 9 January 2020 as part of the Merger (see note 31).

Notes *(continued)*

22 Deferred tax liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group 2019 £000	Unaudited 2018 £000	Company 2019 £000	Unaudited 2018 £000
Deferred tax assets (note 17)	**(1,234)**	(504)	-	-
Deferred tax liabilities	**1,280**	-	-	-
	46	(504)	-	-

	Group 2019 £000	Unaudited 2018 £000	Company 2019 £000	Unaudited 2018 £000
Accelerated capital allowances	**777**	123	-	-
Short term timing differences	**(731)**	(626)	-	-
	46	(504)	-	-

Provided deferred tax	Group 2019 £000	Unaudited 2018 £000	Company 2019 £000	Unaudited 2018 £000
At the start of the year/period	**(504)**	(577)	-	-
Charged/(credited) to profit and loss	**(1,006)**	73	-	-
Arising on acquisition	**1,522**	-	-	-
Foreign exchange	**34**	-	-	-
At the end of the year/period	**46**	(504)	-	-

In addition to the deferred tax asset above, the Group has additional unrecognised gross tax losses of £3.3 million *(unaudited 31 December 2018: £2.9 million)*. These assets have not been recognised on the basis that in certain jurisdictions there is currently not sufficient certainty of future taxable profits to reverse the timing difference. In the event, that taxable profits arose in those jurisdictions the timing difference would reverse.

Notes *(continued)*

23 Provisions for liabilities

	Dilapidations provisions 2019 £000	**Others 2019 £000**	**Total 2019 £000**	Unaudited Dilapidations provisions 2018 £000	Unaudited Others 2018 £000	Unaudited Total 2018 £000
At the start of the year (unaudited)	**335**	**1,829**	**2,164**	335	1,829	2,164
Charged in the year	-	-	-	-	-	-
	335	**1,829**	**2,164**	335	1,829	2,164

The dilapidations provision relates to the cost of restoring leased premises to the condition stated in the lease. The majority of this provision is not likely to be utilised in the next 12 months.

Other provisions relate to commercial obligations assumed. These provisions are unlikely to be utilised within the next 12 months.

Company

The Company has no provisions.

24 Employee benefits

The Group has a number of defined contribution pension schemes. The total expense relating to these plans in the current year was £1,181,000 *(unaudited 9 month period ending 31 December 2018: £763,000).*

Notes *(continued)*

25 Group financial instruments

Financial assets that are debt instruments held at amortised cost are trade debtors and other debtors and total £188.3 million (unaudited 31 December 2018: £156.5 million). Financial liabilities held at amortised cost are trade creditors, accruals, other tax & social security, other creditors and borrowing and total £322.3 million (unaudited 31 December 2018: £261.1 million).

Financial assets comprise cash balances as follows:

	2019	Unaudited 2018
	£000	£000
Sterling	**6,272**	7,152
US Dollar	**765**	860
Euro	**1,156**	1,613
Other	**445**	437
	8,638	10,062

Cash across the group earns annual interest at rates between 0.1% and 1.0%.

Maturity analysis of financial liabilities presented net of unamortised issue costs:

31 December 2019

	Total	**Less than one year**	**One to two years**	**Two to five years**	**After five years**
	£000	**£000**	**£000**	**£000**	**£000**
Asset based lending	**53,132**	**-**	**-**	**53,132**	**-**

31 December 2018 (unaudited)

	Total	Less than one year	One to two years	Two to five years	After five years
	£000	£000	£000	£000	£000
Asset based lending	13,947	-	-	13,947	-
Bank overdraft	1,747	1,747	-	-	-
	15,694	1,747	-	13,947	-

Notes *(continued)*

26 Called up share capital

	2019 £000	Unaudited 2018 £000
Allocated and fully paid		
1,600,000 (2018: 1,600,000) A ordinary shares of 1p each	**16**	16
399,956 (2018: 399,956) B1 ordinary shares of 20p each	**80**	80
44 (2018: 44) B2 ordinary shares of 20p each	**-**	-
	96	96

Rights

The A ordinary shares, B1 ordinary shares and B2 ordinary shares rank pari passu as regards dividends and other distributions.

On a sale, listing, liquidation or any other return of capital, the capital and assets of the Company are distributed firstly to the A shareholders up to a sum equal to their issue price, then to each holder of the B1 and B2 ordinary shares (pari passu as if the shares constituted one class of share) up to a sum equal to their issue price. The balance of any assets shall be distributed amongst the holders of the A ordinary and B Ordinary shareholder pari passu as if the shares constituted one class of share.

On a vote at the Annual General Meeting or on a written resolution, the A ordinary shares carry one vote per share, and the B2 ordinary shares carry 10,000 votes per share. The B1 ordinary shares do not have any voting rights.

Notes *(continued)*

27 Operating leases

Group

Non-cancellable operating lease rentals are payable as follows:

	2019	Unaudited 2018
	£000	£000
Less than one year	**1,500**	1,140
Between one and five years	**3,754**	2,365
More than five years	**1,592**	1,224
	6,846	4,729

During the year £1,956,000 was recognised as an expense in the profit and loss account in respect of operating leases *(unaudited 31 December 2018: £1,137,000).*

Company

The Company has no lease commitments.

28 Commitments

There are Group guarantees which amount to £300,000 *(unaudited 31 December 2018: £300,000)* at the end of the year and which are primarily in relation to duty deferment.

29 Related parties

The Pattonair Group receives certain corporate advisory services from Platinum Equity Advisors, LLC ("Advisors"), an affiliate of Platinum Equity, and is invoiced by Advisors for such services and related expenses. Related party transactions include corporate and advisory services provided by Advisors and related expenses. During the year ended 31 December 2019, Advisors received £2,500,000 *(unaudited 9 months period ended 31 December 2018: £1,875,000)* in respect of corporate advisory services provided to the Pattonair Group. Of these charges £417,000 was outstanding at 31 December 2019 *(unaudited 31 December 2018: £417,000).*

During the year, a close family member of key management was an employee of the group and earned £nil *(9 months period ended 31 December 2018: £18,750)* remuneration for their employment.

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 wholly owned subsidiaries of the wider Pattonair Group.

30 Ultimate parent company and parent company of larger group

As at 31 December 2019, the immediate parent undertaking is Pioneer IV 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. Pattonair Holdings Limited is the undertaking of the smallest and largest Group to consolidate these financial statements.

Notes *(continued)*

31 Post balance sheet events

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 Pattonair Group owed £51.5 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 business 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 complete in June 2021.

Notes *(continued)*

32 Acquisitions

On 1 September 2019, Pattonair Europe Limited, an indirect subsidiary of the Company, acquired the entire share capital of Mercurius Holdings Ltd and its subsidiary undertaking, Adams Aviation Supply Limited. This group of companies are engaged in the supply of aircraft equipment parts and accessories. The business contributed revenue of £10.4m and net profit of £0.4m to the revenue and net profit for the year.

The Group accounted for the acquisition of Mercurius Holdings Limited using the acquisition method of accounting. Assets and liabilities assumed in connection with the acquisition have been recorded at fair value based on management assessment at the acquisition date. Goodwill is calculated as the excess of the consideration transferred over the fair value.

The table below summarises the consideration paid together with the provisional fair values of assets acquired and liabilities assumed.

	Book values	Fair value adjustments	Recognised values on acquisition
	£000	£000	£000
Acquiree's net assets at the acquisition date:			
Tangible fixed assets	71	-	71
Existing goodwill	963	(963)	-
Intangible assets	-	8,954	8,954
Stocks	4,957	-	4,957
Trade and other debtors	4,411	-	4,411
Cash	1,013	-	1,013
Trade and other creditors	(3,913)	-	(3,913)
Deferred tax liabilities	-	(1,522)	(1,522)
Net identifiable assets and liabilities	**7,502**	**6,469**	**13,971**
Total cost of business combination:			
Consideration paid:			
Initial cash consideration relating to business combination			16,571
Costs directly attributable to the business combination			628
Total consideration			**17,199**
Goodwill on acquisition			3,228

The expected useful life of goodwill stemming from this acquisition is 10 years. Intangible assets arising on acquisition relates to customer relationships.

Notes *(continued)*

33 Subsidiary undertakings

At 31 December 2019, the Group held 100% of the issued share capital of the following companies through intermediate holding companies:

Name of undertaking	Country of incorporation and registered address	Principal activity
Quicksilver Midco Limited	UK	Intermediate holding Company
Pattonair UK Limited	UK	Intermediate holding Company
Pattonair Europe Limited	UK	Intermediate holding Company
Quicksilver Dollar Loanco Limited	UK	Intergroup funding Company
Quicksilver Euro Loanco Limited	UK	Intergroup funding Company
Pattonair (Derby) Limited	UK	Supply of component parts to the Aerospace Industry
Pattonair Wolverhampton Limited	UK	Dormant
Pattonair Limited	UK	Supply of component parts to the Aerospace Industry
Pattonair Properties Limited	UK	Property company
Mercurius Holdings Limited	UK	Intermediate holding Company
Adams Aviation Supply Company Limited	UK	Supply of component parts to the Aerospace Industry
Orchard House Limited	UK	Dormant
Aviation Supplies Company Limited	UK	Dormant
Pattonair Berlin GmbH	c/o Rolls-Royce Eschenweg 11 P/O 96 15827 Dahlewitz Berlin, Germany	Pattonair Berlin GmbH
Pattonair SAS	ZAC du Chêne Bocquet Boulevard Henri Navier Taverny, France	Supply of component parts to the Aerospace Industry
Pattonair SRL	19 Via XXII Marzo 21013 Gallarate (VA) Milan, Italy	Supply of component parts to the Aerospace Industry
Pattonair Asia Pte Ltd	3 Changi North Street 2 #03-03B Logistech Singapore	Supply of component parts to the Aerospace Industry
Pattonair Xi'an Trading Limited	No 5 Lantian Road Yanliang Xi'an, Shaanxi 710089 Xi'an, China	Supply of component parts to the Aerospace Industry

Notes *(continued)*

33 **Subsidiary undertakings** (continued)

Name of undertaking	Country of incorporation and registered address	Principal activity
Pattonair Poland Sp.zo.o	ul. Bierutowska 65-67 51-317 Wroclaw Wroclaw, Poland	Supply of component parts to the Aerospace Industry
Ulogistics Canada Inc	1310, 55th Avenue Lachine Quebec H8T 3J8 Canada	Dormant
Pattonair Co Brasil Servicos E Logistica Ltda	R. Cap. Guynemer 1626-Xeren D.C Axais-RJ-CEP 25250-130 Brazil	Supply of component parts to the Aerospace Industry

The address of the registered office for all the UK companies is Ascot Business Park, 50 Longbridge Lane, Derby, DE24 8UJ, England.

34 **Subsidiary audit exemptions**

Pattonair Holdings Limited has issued guarantees over the liabilities of the following companies as at 31 December 2019 under section 479C of the Companies Act 2006 and these entities are exempt from the requirement of the Act relating to the audit of their individual financial statements by virtue of section 479A of the Act.

- Pattonair Properties Limited
- Pattonair Group Limited
- Pattonair Europe Limited
- Quicksilver Midco Limited