

Pattonair Group Limited
Annual report and financial statements
for the period ended 31 December 2019

Registered number: 07525301

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Pattonair Group Limited

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

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Pattonair Group Limited

Directors and advisors

Directors

DR Landry
M Whatling
TJ Gallagher
WR Hollinshead

Registered office

Ascot Business Park
50 Longbridge Lane
Derby
DE24 8UJ
England

Lawyers

Baker McKenzie LLP
100 New Bridge Street
London
EC4V 6JA

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Pattonair Group Limited

Strategic report for the period ended 31 December 2019

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

Principal activity

The principal activity of the Company is an intermediate holding company and this is expected to continue for the foreseeable future.

Business review and future developments

The statement of comprehensive income and the financial position of the Company is set out on page 6 and 7 respectively.

The Company holds investments in a number of intermediate holding companies, which in turn hold a number of investments in UK and overseas companies of the Pattonair Group.

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

As part of this exercise, the Company waived loan receivables from its subsidiary of £25.6 million; this has been recognised as a loss in the profit and loss.

In addition to this, a number of the Company's subsidiaries performed capital reductions during the year to create realisable, distributable reserves, thus enabling them to make dividend payments to the Company of £240.9 million. As a result of these dividends, some of the Company's subsidiaries no longer had underlying net assets or cash flows to support their investment carrying values and an impairment loss was recognised. The subsidiaries were subsequently dissolved; to the extent dividends income received from the subsidiary exceeds the impairment loss, this has been present net in the Company's income statement as this is considered to be a return on invested capital.

The Company also distributed, as a dividend to its immediate parent, intercompany loan receivables totalling £328.7 million.

During the year, the Company undertook a capital reduction, reducing its share capital by £77.0 million and creating distributable reserves for the same amount.

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

Post balance sheet events

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

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

Pattonair Group Limited

Strategic report for the period ended 31 December 2019

Coronavirus – summary of impact assessment

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

We have already experienced significant disruption to our business as a result of the significant reduction in commercial aircraft travel which has reduced commercial aircraft production rates and MRO activities. Even after restrictions are modified or lifted, changes in consumer behaviour and health concerns may continue to impact commercial aircraft travel which would impact the overall demand for commercial aircrafts.

We anticipate the COVID-19 pandemic to have a material impact on our operations, our cash flows from operations and our financial condition, in fiscal year 2020. However, the impacts of COVID-19 on our future performance cannot be reasonably estimated at this time.

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

Whilst it is acknowledged that Covid-19 will have a significant impact on the business over the next twelve months, the directors believe the funding arrangement in place at the wider Incora Group sufficient to allow the Company to operate for the next twelve months.

Key performance indicators

It is the directors' opinion that as this is not a trading entity, there are no key performance indicators that are used or relevant to the Company.

Principal risks & uncertainties

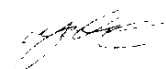
As the company acts as an intermediate holding company, the performance of investments is considered a principal risk. The directors regularly review the performance of subsidiary companies and receive detailed performance information that enable them to identify risks of potential impairment.

There are no other additional risks in the company than those disclosed in its parent's accounts, Pattonair Holdings Limited.

Financial risk management

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

On behalf of the Board



M Whatling

Director

10 December 2020

Pattonair Group Limited

Directors' report for the period ended 31 December 2019

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

Going concern

The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. The directors have considered the cash requirements of the Company and have a reasonable expectation that it can meet all of its liabilities as they fall due, for the foreseeable future, from the date of the approval of the financial statements.

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

Dividends

A dividend payment of £328.7 million was made in respect of the year ended 31 December 2019 (period ended 31 December 2018: £nil).

Post balance sheet events

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

Prior to the closing of the Merger, a series of transactions were effectuated pursuant to which, the underlying trade and assets of the Pattonair business were ultimately reorganized 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 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.

Future developments

These are discussed as part of the Strategic report on page 2.

Financial risk management

Commentary on financial risk management of the business is included as part of the Strategic report on page 2.

Directors

The directors who held office during the period ended 31 December 2019 and up to the date of signing the financial statements are given below:

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

Pattonair Group Limited

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

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

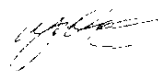
Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 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 company will continue in business.

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

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

On behalf of the Board



M Whatling

Director

10 December 2020

Pattonair Group Limited

Statement of comprehensive income for the year ended 31 December 2019

	Note	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Operating income		-	4
Administrative expenses – recurring		(54)	-
Administrative expenses – non-recurring	6	(25,628)	-
Total administrative expenses		(25,628)	-
Operating profit	7	(25,682)	4
Impairment of fixed asset impairments	12	(174)	-
Income from shares in group undertakings	8	240,872	-
Interest receivable and similar income	9	731	151
Interest payable and similar charges	10	(8)	(1,702)
Profit/(loss) before taxation		215,739	(1,547)
Tax on profit/(loss)	11	(522)	106
Profit/(loss) for the financial year/period		215,217	(1,441)

All results in the current and prior financial periods relate to continuing operations.

Pattonair Group Limited

Balance sheet as at 31 December 2019

	Note	31 December 2019 £'000	31 December 2018 £'000
Fixed assets			
Investments	12	7	39,030
Current assets			
Debtors	13	62,394	113,240
Cash at bank and in hand		1,144	1,074
		63,538	114,314
Creditors: amounts falling due within one year	14	(60,146)	(36,492)
Net current assets		3,392	77,822
Total assets less current liabilities		3,399	116,852
Net assets		3,399	116,852
Capital and reserves			
Called up share capital	15	-	77,013
Profit and loss account		3,399	39,839
Total shareholders' funds		3,399	116,852

Statements:

- For the year ended 31 December 2019 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.
- The members have not required the Company to obtain an audit in accordance with section 476 (1) of the Companies Act 2006.
- The directors acknowledge their responsibility for complying with the requirements of the Companies Act 2006 with respect to accounting records and for the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The notes to the financial statements on pages 9 to 22 form an integral part of these financial statements.

These financial statements on pages 6 to 22 were approved by the Directors on 10 December 2020.

Signed on behalf of the Board of Directors.



M Whatling

Director

10 December 2020

Registered number: 07525301

Pattonair Group Limited

Statement of changes in equity for the period ended 31 December 2019

	Called up share capital	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000
Balance at 1 January 2019	77,013	39,839	116,852
Total comprehensive expense for the period			
Profit for the financial year	-	215,217	215,217
Transactions with owners, recorded directly in equity			
Capital reduction	(77,013)	77,013	-
Dividends		(328,670)	(328,670)
	(77,013)	(251,657)	(328,670)
Balance at 31 December 2019	-	3,399	3,399
	Called up share capital	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000
Balance at 1 April 2018	77,013	41,280	118,293
Total comprehensive income for the year			
Loss for the financial period	-	(1,441)	(1,441)
Balance at 31 December 2018	77,013	39,839	116,852

Pattonair Group Limited

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

11 General information

Pattonair Group Limited is a private company limited by shares and incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Strategic Report on page 2.

12 Statement of compliance

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

13 Summary of significant accounting policies

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

Exemptions for qualifying entities under FRS102

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

The Company's ultimate parent undertaking, PE Pioneer Holding II Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of PE Pioneer Holding II Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from the address given on page 1. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

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

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

- The financial instrument disclosures required under FRS 102 paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv) and 11.48(b) as the information is provided in the consolidated financial statement disclosures.

Basis of preparation

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

The financial statements are prepared on the historical cost basis.

Pattonair Group Limited

Notes to the financial statements

for the period ended 31 December 2019 (continued)

3 Summary of significant accounting policies (continued)

Going concern

The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. The directors have considered the cash requirements of the Company and have a reasonable expectation that it can meet all of its liabilities as they fall due, for the foreseeable future, from the date of the approval of the financial statements.

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

Classification of financial instruments issued by the company

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

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

Basic financial instruments

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

Financial assets

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

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

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

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

Pattonair Group Limited

Notes to the financial statements

for the period ended 31 December 2019 (continued)

3 Summary of significant accounting policies (continued)

Basic financial instruments (continued)

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

Financial liabilities

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

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

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

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

Investments in subsidiaries

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

Foreign currencies

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

Cash and cash equivalents

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

Pattonair Group Limited

Notes to the financial statements for the period ended 31 December 2019 (continued)

3 Summary of significant accounting policies (continued)

Provisions

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

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

Interest receivable and Interest payable

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

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

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

Dividend income

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

Taxation

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

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

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

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.

Pattonair Group Limited

Notes to the financial statements

for the period ended 31 December 2019 (continued)

3 Summary of significant accounting policies (continued)

Distributions to equity holders

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

Related party transactions

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

Exceptional items

Exceptional items have been disclosed separately within operating profit on the basis that the items are exceptional by size or nature and are considered by the Directors to be outside the normal course of business.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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.

Investment impairment analysis

The company considers whether investments are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

5 Employee information

The Company did not have any employees, other than the directors, during the year ended 31 December 2019 (period ended 31 December 2018: None).

Pattonair Group Limited

Notes to the financial statements for the period ended 31 December 2019 (continued)

6 Administrative expenses – non-recurring

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Waiver of intercompany loan balances	(25,628)	-
	(25,628)	-

During the year, the Pattonair Group undertook intercompany loan rationalisation project aimed at simplifying the number of intercompany balances within the Group. As part of this exercise, the Company waived loan receivables from its subsidiary of £25.6 million.

7 Operating loss

Audit fees of £1,000 (period ended 31 December 2018: £1,000) have been borne by a fellow group company, Pattonair (Derby) Limited, and have not been recharged.

The directors did not receive any emoluments in respect of their services to the Company. Disclosure of the directors emoluments received for the Group are included in Pattonair Holdings Limited's financial statements.

8 Income from shares in group undertakings

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Dividend income from subsidiary undertakings	240,872	-
	240,972	-

Pattonair Group Limited

Notes to the financial statements

for the period ended 31 December 2019 (continued)

9 Interest receivable and similar income

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Bank interest receivable	8	5
Interest receivable on amounts due from group undertakings	205	146
Foreign exchange gains	518	-
	731	151

10 Interest payable and similar charges

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Foreign exchange losses	-	1,694
Interest payable on amounts due to group undertakings	8	8
	8	1,702

11 Tax on (loss)/profit

a) Tax (credit)/charge included in statement of comprehensive income

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Current tax		
UK current tax on (loss)/profit for the period/year	522	(64)
Adjustments in respect of prior years	-	(42)
Total current tax (credit)/charge	522	(106)

Pattonair Group Limited

Notes to the financial statements

for the period ended 31 December 2019 (continued)

11 Tax on (loss)/profit

b) Reconciliation of effective tax rate

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

	Year ended 31 December 2019	Period ended 31 December 2018
	£'000	£'000
Profit/(loss) before taxation	215,739	(1,547)
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2018: 20%)	40,990	(294)
Effects of:		
Expenses not deductible for tax purposes	12,284	-
Income not taxable	(53,147)	-
Transfer pricing adjustment	327	230
Other	68	-
Adjustments in respect of prior years	-	(42)
Total tax (credit)/charge for the period/year	522	(106)

There are no recognised or unrecognised deferred tax balances in the current period or previous year. The company will relieve the benefit of tax losses to another group company worth £nil (period ending 31 December 2018: £105,000) March 2018. No tax losses will, therefore, be available for carry forward.

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.

Pattonair Group Limited

Notes to the financial statements

for the period ended 31 December 2019 (continued)

12 Investments

	Interests in subsidiary undertakings
Cost	
At 1 January 2019	58,379
Disposals	(58,372)
At 31 December 2019	7
Provision for diminution in value	
At 1 January 2019	19,349
Impairment losses	174
Disposals	(19,523)
At 31 December 2019	-
Net book value	
At 31 December 2019	7
At 31 December 2018	39,030

During the year, as part of the legal entity rationalisation project, a number of the Company's subsidiaries performed capital reductions during the year to create realisable, distributable reserves, thus enabling them to make dividend payments to the Company of £215.2m.

As a result of these dividends, some of the Company's subsidiaries no longer had underlying net assets or cash flows to support their investment carrying values and an impairment loss was recognised. The subsidiaries were subsequently dissolved; to the extent dividends income received from the subsidiary exceeds the impairment loss, this has been present net in the Company's income statement as this is considered to be a return on invested capital.

The Company held 100% of the issued share capital of the following companies directly at 31 December 2019 and 31 December 2018:

Name of undertaking	Country of incorporation and registered address	Principal activity
Pattonair Europe Limited	UK	Intermediate holding company

Pattonair Group Limited

Notes to the financial statements

for the period ended 31 December 2019 (continued)

12 Investments (continued)

The company held 100% of the issued ordinary share capital of the following companies through intermediate holding companies at 31 December 2019 and 31 December 2018:

Name of undertaking	Country of incorporation and registered address	Principal activity	2019	2018
Pattonair UK Limited	UK	Intermediate holding Company	-	100%
Quicksilver Dollar Loanco Limited	UK	Intergroup funding Company	-	100%
Quicksilver Euro Loanco Limited	UK	Intergroup funding Company	-	100%
Pattonair (Derby) Limited	UK	Supply of component parts to the Aerospace Industry	100%	100%
Pattonair Wolverhampton Limited	UK	Dormant	100%	100%
Pattonair Limited	UK	Supply of component parts to the Aerospace Industry	100%	100%
Pattonair Properties Limited	UK	Property company	100%	100%
Orchard House Limited	UK	Dormant	100%	100%
Pattonair Berlin GmbH	c/o Rolls-Royce Eschenweg 11 P/O 96 15827 Dahlewitz Berlin, Germany	Supply of component parts to the Aerospace Industry	100%	100%
Pattonair SAS	ZAC du Chêne Bocquet Boulevard Henri Navier Taverny, France	Supply of component parts to the Aerospace Industry	100%	100%
Pattonair SRL	19 Via XXII Marzo 21013 Gallarate (VA) Milan, Italy	Supply of component parts to the Aerospace Industry	100%	100%
Pattonair Asia Pte Ltd	3 Changi North Street 2 #03-03B Logistech Singapore	Supply of component parts to the Aerospace Industry	100%	100%

Pattonair Group Limited

Notes to the financial statements for the period ended 31 December 2019 (continued)

12 Investments (continued)

Name of undertaking	Country of incorporation and registered address	Principal activity	2019	2018
Pattonair Poland Sp.zo.o	ul. Bierutowska 65-67 51-317 Wroclaw Wroclaw, Poland	Supply of component parts to the Aerospace Industry	100%	100%
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	100%	100%
Ulogistics Canada Inc	1310, 55th Avenue Lachine Quebec H8T 3J8 Canada	Dormant	100%	100%
Aviation Supplies Company Limited	UK	Dormant	100%	100%
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	100%	100%
Mercurius Holdings Limited	UK	Intermediate holding Company	100%	100%
Adams Aviation Supply Company Limited	UK	Supply of component parts to the Aerospace Industry	100%	100%

* 1% held directly.

The address of the registered office for all the UK companies is, Ascot Business Park, 50 Longbridge Lane, Derby, DE24 8UJ, England. The directors consider the carrying value of the investments to be supported by their underlying net assets or cash flows.

Pattonair Group Limited

Notes to the financial statements for the period ended 31 December 2019 (continued)

13 Debtors

	31 December 2019	31 December 2018
	£'000	£'000
Amounts owed by Group undertakings	62,332	113,148
Other debtors	62	92
	62,394	113,240

Of the amounts owed by group undertakings all are unsecured and are repayable on demand. Of the amounts owed by group undertakings £3,449,000 (31 December 2018: £3,402,000) are interest bearing at 3.83% (31 December 2018: 3.83%), the remaining amounts are interest free.

14 Creditors: amounts falling due within one year

	31 December 2019	31 December 2018
	£'000	£'000
Trade creditors	-	92
Amounts owed to group undertakings	58,805	35,447
Other creditors	819	813
Corporation tax	522	140
	60,146	36,492

Of the amounts owed to group undertakings all are unsecured and are repayable on demand. Of the amounts owed to group undertakings £186,000 (2018: £123,000) are interest bearing at 5.00% (2018: 5.00%), the remaining amounts are interest free.

Pattonair Group Limited

Notes to the financial statements

for the period ended 31 December 2019 (continued)

15 Called up share capital

	31 December 2019	31 December 2018
	£'000	£'000
Allotted and fully paid		
77,013,373 (31 December 2018: 77,013,373) ordinary shares of £0.00 (31 December 2018: £1) each	-	77,013

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

During the year, the issued share capital of the Company was reduced from £77.0 million £1 by reducing the nominal value of each issued fully paid up ordinary share from £1.00 to £0.000000013 each. The amount by which share capital was reduced was credited to the profit and loss account.

16 Contingent liability

Under the UK asset based lending arrangement the company is jointly and severally liable for the total borrowings under the arrangement. At 31 December 2019 this contingent liability amounted to £62,563,000 (31 December 2018: £19,764,000).

17 Dividends

	31 December 2019	31 December 2018
	£'000	£'000
Dividends paid of £4.27 (2018: £Nil) per share	328,670	-

During the year, as part of the intercompany loan rationalisation project, the Company distributed intercompany loan receives of £328.7 million (31 December 2019: £nil) to its immediate parent, Quicksilver Midco Limited.

18 Related party transactions

Under the UK asset based lending arrangement the Company is jointly and severally liable for the total borrowings under the arrangement. At 31 December 2019 this contingent liability amounted to £62,563,000 (31 December 2018: £19,764,000).

Pattonair Group Limited

Notes to the financial statements

for the period ended 31 December 2019 (continued)

19 Ultimate parent company and immediate parent undertaking

The immediate parent undertaking is Quicksilver Midco Limited a company incorporated in the United Kingdom and registered in England and Wales.

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

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

20 Post balance sheet event

Merger with Wesco

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

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

Repayment of ABL facilities

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

Covid-19

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

Restructuring

In June 2020 Incora Group announced plans to right size the 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 be completed by June 2021.