

Company Registration No. 02524190 (England and Wales)

IRVINGQ LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 SEPTEMBER 2020



IRVINGQ LIMITED

COMPANY INFORMATION

Directors

L Sabol
D J Powell (President)
S L Bourke
M D Hennessy
M D H Steer

Company number

02524190

Registered office

Llangeinor
Bridgend
CF32 8PL
Wales

Auditor

Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

IRVINGQ LIMITED

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IRVINGQ LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

The directors present the strategic report for the year ended 30 September 2020.

Fair review of the business

The results for the year are set out on page 10.

Key performance indicators

Our performance is highlighted in the following KPIs: turnover, gross profit margin and operating profit. For the year ended 30 September 2020 the company achieved turnover of £37,497,000 (2019: £43,041,000), gross profit margin of 35% (2019: 41%) and operating profit of £6,549,000 (2019: £11,973,000).

Research and development

The company has a long history of, and will continue to invest in, the research and development of new products. The company has a number of proprietary products and will look to add to these in the future.

Going concern and future developments

As noted in the key performance indicators, the company continues to trade profitably. Management's outlook for 2021 and beyond is that the business will continue to grow organically due to demand for our highly innovative proprietary products. The business has been able to react quickly to the challenges arising from Brexit and the Covid-19 pandemic in 2020 and continues to operate as a key defence supplier.

The company has sufficient funds in order for it to meet its obligations, given its ultimate parent company, TransDigm Group, Inc. has provided a letter of support for a period of 12 months from the signing of the 2020 financial statements. Consequently, the financial statements have been prepared on a going concern basis, which the directors believe to be appropriate.

Principal risks and uncertainties

The Covid-19 pandemic has had an unprecedented impact on the global economy. Risks arising as a result of Covid-19 include the availability of personnel, continuity of the supply chain and changing government guidelines and legislation. The company has been able to respond to these challenges, implementing operational changes where required and working with its suppliers and customers to ensure it continues to deliver its products and services as a key defence supplier.

The company's most significant customer is the UK Ministry of Defence ("UK MoD") and there is a risk that the company's results would be affected if there were significant changes in the UK MoD's spending plans and priorities. The company has a number of other customers and a spread of customers that will reduce risk.

Financial risk management

The operations of the company expose it to a variety of financial risks, including price risk, exchange rate risk, credit risk and liquidity risk. Exposures to these risks are monitored, reported and mitigated according to policies and procedures set by the ultimate parent company.

Price risk

Where deemed appropriate, the exposure to price risk and exchange rate fluctuations are managed through the use of financial instruments, for example forward exchange contracts. The company has no exposure to equity security price risk as it holds no listed investments.

Liquidity risk

The company maintains a mixture of long-term and short-term debt finance, principally with the wider group. This is designed to ensure the company has sufficient available funds for its operations.

Credit risk

As the majority of turnover and subsequent debt due to IrvinGQ Limited is with various Government and Defence Organisations, there is deemed to be little credit risk.

IRVINGQ LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Director's duties to stakeholders (Section 172(1) statement)

The directors are aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests 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 the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

("the S 172 matters")

The directors of the company have sought to balance the needs of its members with the S 172 matters throughout the year, for example in the policies and practices which run through the company, ensuring that the company's reputation for high standards of conduct are maintained and in our engagement with our employees.

The directors of the company have a duty to promote the success of the company, and it relies on smooth operations and the support and joint efforts of stakeholders. Thus, effective communication and interaction are indispensable in the company's business operations, IrvinGQ Limited is aware of the importance of stakeholder opinions, and understands and responds to relevant stakeholders and their concerns.

We identified the most important stakeholders based on past stakeholder communications. We contact these stakeholders through regular/ad hoc channels to ensure comprehensive communications.

Engagement with employees

The directors recognise that our employees are one of our most valuable assets. As a company that has a proud history of saving lives for over 100 years, IrvinGQ has many long serving employees, some of which have been with the company for more than 40 years. Long service is rewarded and celebrated at IrvinGQ.

There is a Works Council which meets with the president regularly to discuss matters that are important to the employees. The Works Council includes representation from all areas of the organisation.

We are committed to recruiting training and retaining the best talent we can find. We set up strict selection procedures and standards in place to ensure non-discrimination in our employment policy. We provide employees with comprehensive training and career development opportunities. We conduct departmental and external professional training.

Engagement with suppliers, customers and others in a business relationship with the company

Suppliers

IrvinGQ Limited works with its supplier base to ensure its operations can be carried out as efficiently as possible, recognising that our success is dependent upon that of our supply chain. We work with suppliers to give them maximum possible vision of our relevant requirements, and ensure that invoices are paid in a timely manner.

Customers

IrvinGQ Limited works with its customers to ensure that our products are designed and manufactured to meet their current and future needs. We aim to deliver products of the highest quality and performance to meet our customer's high expectations.

Others

IrvinGQ Limited works with relevant tax authorities, government bodies and regulators to ensure the highest levels of compliance with regulations.

IRVINGQ LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

On behalf of the board



D J Powell (President)
Director

Date: 28/9/20

IRVINGQ LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

The directors present their annual report and financial statements for the year ended 30 September 2020.

Principal activities

The principal activity of the company is the design, manufacture and supply of specialised military equipment and services to NATO and Partner countries. Delivering a wide range of highly engineered Troop, Cargo & Ejector Seat Parachutes, Aerial Delivery Equipment for Cargo, Vehicles & Boats and Naval Decoy Systems.

Results and dividends

The results for the year are set out on page 10.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

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

D J Smith	(Resigned 21 January 2020)
T P Dawkins	(Resigned 21 January 2020)
M Jones	(Resigned 13 May 2020)
J D Crandall	(Resigned 10 October 2019)
L Sabol	(Appointed 10 October 2019)
D J Powell (President)	(Appointed 21 January 2020)
S L Bourke	(Appointed 13 May 2020)
M D Hennessy	(Appointed 13 May 2020)
M D H Steer	(Appointed 13 May 2020)

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Disabled persons

The company's policy in relation to the employment of disabled persons is, where practicable, to continue to employ employees who become temporarily or permanently disabled. Full regard is given to their training needs, career development and promotional potential. Full and fair consideration is also given to the employment of applicants who are disabled, taking into account their aptitudes and abilities.

Employee involvement

The directors are visible and accessible to the workforce on a daily basis, taking care to interact with employees at all levels of the organisation. Quarterly business presentations are made to the workforce, where the Directors and other Senior employees will provide updates on the business performance and key projects, as well as taking questions from the employees. Such business updates are followed up with one to one discussions between directors and employees throughout the organisation.

Business relationships

The directors understand the need to foster good company business relationships with customers, suppliers and other parties in order to develop, protect and grow the business into the future. These stakeholders are continually considered in our principal decision making throughout the year.

Post reporting date events

On 1 March 2021, the group restructured its financing arrangements. As part of this restructure the company received a distribution of £46.6 million from its subsidiary company, Edlaw Limited. As a result of these transactions it is likely that the value of the investment in Edlaw Limited will be impaired.

IRVINGQ LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

Energy and carbon reporting

Following the introduction of the new Streamlined Energy & Carbon Reporting Framework, the directors present their report on the performance of IrvinGQ Limited below.

	2020 kWh	2020 kgCO2e
Gas	2,161,173	397,375
Total scope 1	2,161,173	397,375
Electricity	1,301,507	303,433
Total scope 2	1,301,507	303,433
Business travel in employee owned cars	10,923	3,013
Electricity T&D	-	26,095
Total scope 3	10,923	29,108
Total	3,473,603	729,916
Intensity ratio	11,855	2,491

The figures above have been converted into carbon emissions using the 2020 UK Government Conversion Factors.

Intensity ratio is calculated as CO2e per employee.

Actions taken by IrvinGQ over the past year include investment in our Building Management System to control heating and cooling times, replacement of old heating units with more efficient ones and insulation of our shop floor wall to reduce the heating required. Steps such as replacing lighting with LED bulbs has already been taken and the Directors will continue to look for further opportunities to minimise our impact on the environment.

Strategic report

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

Auditor

The auditor, Ernst & Young LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

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

IRVINGQ LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

On behalf of the board



D J Powell (President)
Director

Date: 28/9/21

IRVINGQ LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2020

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IRVINGQ LIMITED

Opinion

We have audited the financial statements of IrvinGQ Limited for the year ended 30 September 2020 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 30 September 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the strategic report and the directors' report set out on pages 1 to 4, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Paul Mapleston BEng FCA (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

Bristol

30/9/21

IRVINGQ LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2020

		2020	2019
	Notes	£'000	£'000
Turnover	3	37,497	43,041
Cost of sales		(24,397)	(25,202)
		<hr/>	<hr/>
Gross profit		13,100	17,839
Distribution costs		(1,336)	(1,685)
Administrative expenses		(5,083)	(5,510)
Other operating (expenses)/income		(132)	1,329
		<hr/>	<hr/>
Operating profit	5	6,549	11,973
Interest receivable and similar income	8	4,269	4,151
		<hr/>	<hr/>
Profit on ordinary activities before taxation		10,818	16,124
Taxation	9	1,813	(2,896)
		<hr/>	<hr/>
Profit for the financial year, being total comprehensive income		12,631	13,228
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 13 - 27 form part of these financial statements.

All amounts relate to continuing operations.

IRVINGQ LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 30 SEPTEMBER 2020**

	Notes	2020 £'000	£'000	2019 £'000	£'000
Fixed assets					
Tangible assets	10		6,001		6,385
Investments	11		44,313		44,313
			<u>50,314</u>		<u>50,698</u>
Current assets					
Stocks	13	7,511		9,232	
Debtors falling due after one year	14	74,764		71,116	
Debtors falling due within one year	14	19,430		14,296	
Cash at bank and in hand		9,868		6,829	
		<u>111,573</u>		<u>101,473</u>	
Creditors: amounts falling due within one year	15	<u>(13,958)</u>		<u>(15,555)</u>	
Net current assets			<u>97,615</u>		<u>85,918</u>
Total assets less current liabilities			<u>147,929</u>		<u>136,616</u>
Accruals and deferred income falling due after one year	16		(772)		(2,184)
Provisions for liabilities	17		(8)		-
Net assets			<u>147,149</u>		<u>134,432</u>
Capital and reserves					
Called up share capital	21		12,113		12,113
Share premium account	22		1,949		1,949
Profit and loss reserves	22		133,087		120,370
Total equity			<u>147,149</u>		<u>134,432</u>

The notes on pages 13 - 27 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 28/9/21 and are signed on its behalf by:



D J Powell (President)
Director

IRVINGQ LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	Share capital £'000	Share premium account £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 October 2018		12,113	1,949	106,791	120,853
Year ended 30 September 2019:					
Profit and total comprehensive income for the year		-	-	13,228	13,228
Credit to equity for equity settled share-based payments	7	-	-	351	351
Balance at 30 September 2019		12,113	1,949	120,370	134,432
Year ended 30 September 2020:					
Profit and total comprehensive income for the year		-	-	12,631	12,631
Credit to equity for equity settled share-based payments	7	-	-	86	86
Balance at 30 September 2020		12,113	1,949	133,087	147,149

IRVINGQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies

Company information

IrvinGQ Limited is a private company limited by shares incorporated in England and Wales. The registered office and principal place of business is Llangeinor, Bridgend, Wales, CF32 8PL. The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1,000.

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

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

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument;
- Section 26 'Share-based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements; and
- Section 33 'Related Party Disclosures' – Remuneration for key management personnel.

The financial statements of the company are consolidated in the financial statements of TransDigm Group, Inc. The consolidated financial statements of TransDigm Group, Inc. are available from The Tower at Erieview, 1301 East 9th St., Suite 3000, Cleveland, OH 44114.

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated financial statements. The financial statements present information about the company as an individual entity and not about its group.

Going concern

As noted in the key performance indicators, the company continues to trade profitably. Management's outlook for 2021 and beyond is that the business will continue to grow organically due to demand for our highly innovative proprietary products. The business has been able to react quickly to the challenges arising from Brexit and the Covid-19 pandemic in 2020 and continues to operate as a key defence supplier.

The company has sufficient funds in order for it to meet its obligations, given its ultimate parent company, TransDigm Group, Inc. has provided a letter of support for a period of 12 months from the signing of the 2020 financial statements. Consequently, the financial statements have been prepared on a going concern basis, which the directors believe to be appropriate.

IRVINGQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies (Continued)

Turnover

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

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

Revenue in respect of long term contracts represents the sales value of work done in the year, including estimates in respect of amounts not invoiced. Revenue in respect of long term contracts is calculated as that proportion of total contract value with costs incurred to date bear to total expected costs for that contract.

Research and development expenditure

Research and development expenditure is charged to the statement of comprehensive income as incurred.

Tangible fixed assets

Tangible fixed assets are measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets, less their residual values over their useful lives on the following bases:

Freehold buildings	between 10 and 50 years
Long leasehold land and buildings	over the period of the lease
Plant and equipment	usually 10 years

No depreciation is charged on freehold land.

Assets under construction are not depreciated until they are deemed to be in use.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

Interests in subsidiaries are measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Stocks

Stocks and work in progress are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made to identify any old, excessive, obsolete, and slow moving or damaged stocks. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss.

IRVINGQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies (Continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Financial instruments

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

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include trade and other debtors, amounts owed by group undertakings and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, and amounts owed to group undertakings 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 payments discounted at a market rate of interest.

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

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of direct issue costs.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

IRVINGQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies (Continued)

Taxation (Continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries, that will be assessed to or allow for tax in a future period except where the company is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

The company operates a Group Personal Pension Plan. The amount charged to the statement of comprehensive income represents the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Share-based payments

The company participates in a share-based payment arrangement granted to its employees. The company has elected to recognise and measure its share-based payment expense on the basis of a reasonable allocation of the expense for the group recognised in the group consolidated financial statements. The directors consider the number of unvested options granted to the company's employees compared to the total unvested options granted under the group plan to be a reasonable basis for allocating the expense.

The expense in relation to options over the company's shares granted to employees of a subsidiary is recognised by the company as a capital contribution.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged as an expense on a straight line basis over the term of the relevant lease.

IRVINGQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies (Continued)

Government grants

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

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

The company received a discretionary cash grant of £360,927 from the government as part of the Coronavirus Job Retention Scheme (CJRS) which compensates employers for part of the wages, associated national insurance contributions (NICs) and employer pension contributions of employees who have been placed on furlough (i.e. placed on a temporary leave of absence from working for the employer). The grant is conditional upon the employees being employed and on the company PAYE payroll and the employee cannot do any work for their employer that makes money or provides services for their employer or any organisation linked or associated with their employer. There are no unfulfilled conditions or contingencies attached to the grant and the company has received no other forms of government assistance.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to income statement, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

2 Judgements and key sources of estimation uncertainty

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

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

The directors have considered whether any critical estimates or judgements have been made in the preparation of these financial statements and they believe there are none to note.

IRVINGQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

3 Revenue and other income

An analysis of the company's turnover is as follows:

	2020 £'000	2019 £'000
Turnover analysed by class of business		
Sale of goods	32,491	32,856
Provision of services	5,006	10,185
	<u>37,497</u>	<u>43,041</u>

	2020 £'000	2019 £'000
Other revenue		
Interest income	4,269	4,151
Royalty income	154	229
Grants received	660	-
	<u>660</u>	<u>-</u>

Turnover analysed by geographical market

	2020 £'000	2019 £'000
United Kingdom	27,305	22,684
Rest of Europe	8,072	15,816
North America	1,499	3,476
Rest of World	621	1,065
	<u>37,497</u>	<u>43,041</u>

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020 Number	2019 Number
Production and sales	273	316
Management and administration	20	25
Total	<u>293</u>	<u>341</u>

IRVINGQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

4 Employees (Continued)

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	9,372	11,164
Social security costs	908	1,148
Pension costs	554	611
	<u>10,834</u>	<u>12,923</u>

5 Operating profit

	2020 £'000	2019 £'000
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	793	(1,098)
Research and development costs	886	1,312
Government grants	(685)	(79)
Fees payable to the company's auditor for the audit of the company's financial statements	68	55
Depreciation of owned tangible fixed assets	737	769
Loss on disposal of tangible fixed assets	-	35
Share-based payments	86	351
Operating lease charges	279	285
	<u>2,771</u>	<u>2,720</u>

6 Directors' remuneration

	2020 £'000	2019 £'000
Remuneration for qualifying services	5,705	2,583
Company pension contributions to defined contribution schemes	24	25
	<u>5,729</u>	<u>2,608</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2019: 3).

The number of directors who are entitled to receive shares under long term incentive schemes during the year was 4 (2019: 3).

IRVINGQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

6 Directors' remuneration (Continued)

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

	2020 £'000	2019 £'000
Remuneration for qualifying services	3,066	1,200
Company pension contributions to defined contribution schemes	2	2
	<u> </u>	<u> </u>

The highest paid director has been entitled to receive shares under a long term incentive scheme during the year.

Members of key management personnel, who are not directors, were also remunerated £135,000 during the year.

7 Share-based payment transactions

Certain employees of the company participate in the TransDigm Group 2006 Stock Incentive Plan. This is a US dollar denominated equity-settled share option scheme operated by the TransDigm Group, Inc. (NYSE: TDG). Options are exercisable at a price equal to the fair market value of the parent company's shares on the date of grant. The vesting period is five years. Options are vested upon achievement of predefined, incremental levels of operating profit in each business. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the group before the options vest.

The company participates in a group share based payment plan, and recognises and measures its share based payment expense on the basis of a reasonable allocation of the expense recognised for the group. The allocation is based on the number of shares granted to this company as a percentage of the total shares granted in the group plan.

8 Interest receivable and similar income

	2020 £'000	2019 £'000
Interest income		
Interest on bank deposits	5	2
Interest receivable from group companies	4,264	4,149
	<u> </u>	<u> </u>
Total income	4,269	4,151
	<u> </u>	<u> </u>

IRVINGQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

9 Taxation

	2020 £'000	2019 £'000
Current tax		
UK corporation tax on profits for the current period	1,166	3,146
Adjustments in respect of prior periods	(3,170)	(290)
Total current tax	(2,004)	2,856
Deferred tax		
Origination and reversal of timing differences	213	40
Changes in tax rates	(22)	-
Total deferred tax	191	40
Total tax (credit)/charge	(1,813)	2,896

The charge for the year can be reconciled to the statement of comprehensive income as follows:

	2020 £'000	2019 £'000
Profit before taxation	10,818	16,124
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	2,055	3,064
Tax effect of expenses that are not deductible in determining taxable profit	16	68
Tax effect of income not taxable in determining taxable profit	(8)	(6)
Adjustments in respect of prior years	(3,170)	(290)
Permanent capital allowances in excess of depreciation	63	50
Research and development tax credit	29	-
Other permanent differences	(879)	-
Deferred tax not recognised	10	13
Effect of change in local deferred tax rate	(20)	(3)
Other differences	(56)	-
Unamortised taxable capital grants	147	-
Taxation (credit)/charge for the year	(1,813)	2,896

IRVINGQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

9 Taxation (Continued)

The adjustment in respect of prior periods of £3,170,000 predominantly relates to group relief surrendered free of charge in 2019, which was not recorded in the prior year financial statements as these were approved before the tax computation was finalised.

Other permanent differences of £879,000 relate to the company's share scheme (note 7).

The Finance Act 2016 was enacted so as to reduce the corporation tax rate from 19% to 17% with effect from 1 April 2020. In March 2020 the Chancellor announced that tax rate would remain at 19%. In March 2021 the Chancellor announced that the corporation tax rate would increase from 19% to 25% from 1 April 2023, however as this was not substantively enacted at the reporting date, this rate has not been used to measure deferred tax.

10 Tangible fixed assets

	Freehold buildings	Long leasehold land and buildings	Assets under construction	Plant and equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 October 2019	5,458	1,917	81	8,941	16,397
Additions	60	-	-	293	353
Disposals	-	-	-	(26)	(26)
Transfers	-	-	(81)	81	-
At 30 September 2020	5,518	1,917	-	9,289	16,724
Depreciation and impairment					
At 1 October 2019	1,877	1,614	-	6,521	10,012
Depreciation charged in the year	210	25	-	502	737
Eliminated in respect of disposals	-	-	-	(26)	(26)
At 30 September 2020	2,087	1,639	-	6,997	10,723
Carrying amount					
At 30 September 2020	3,431	278	-	2,292	6,001
At 30 September 2019	3,581	303	81	2,420	6,385

11 Fixed asset investments

	Notes	2020 £'000	2019 £'000
Investments in subsidiaries	12	44,313	44,313

IRVINGQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

11 Fixed asset investments (Continued)

Movements in fixed asset investments

	Shares in group undertakings £'000
Cost or valuation	
At 1 October 2019 & 30 September 2020	44,313
Carrying amount	
At 30 September 2020	44,313
At 30 September 2019	44,313

12 Subsidiaries

Details of the company's subsidiaries at 30 September 2020 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Airborne Systems Pension Trust Limited	a)	Dormant	Ordinary	100.00	-
Aircraft Materials Limited	a)	Dormant	Ordinary	100.00	-
Edlaw Limited	a)	Investments	Ordinary	100.00	-
Irvin Aerospace Limited	a)	Dormant	Ordinary	-	100.00
IrvinGQ France	b)	Parachutes and aerial delivery solutions	Ordinary	99.98	-

a) Bettws Road, Llangeinor, Bridgend, Mid Glamorgan, CF32 8PL

b) 16 bis rue Paule Raymondis, 31200, Toulouse, France

13 Stocks

	2020 £'000	2019 £'000
Raw materials and consumables	3,253	3,893
Work in progress	4,244	4,752
Finished goods and goods for resale	14	587
	<u>7,511</u>	<u>9,232</u>

During the year an impairment to stock of £323,000 (2019: reversal of impairment of £31,000) has been recognised in profit or loss.

IRVINGQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

14 Debtors

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade debtors	7,826	10,178
Corporation tax recoverable	3,065	-
Amounts owed by group undertakings	7,881	3,472
Other debtors	108	117
Prepayments and accrued income	550	494
	<u>19,430</u>	<u>14,261</u>
Deferred tax asset (note 18)	-	35
	<u>19,430</u>	<u>14,296</u>
	2020	2019
Amounts falling due after more than one year:	£'000	£'000
Amounts owed by group undertakings	74,764	70,968
Deferred tax asset (note 18)	-	148
	<u>74,764</u>	<u>71,116</u>
Total debtors	<u>94,194</u>	<u>85,412</u>

There are no fixed repayment terms for the amounts owed by group undertakings. As the amounts relate to long term loans they have been classified as due after more than one year.

15 Creditors: amounts falling due within one year

	Notes	2020 £'000	2019 £'000
Trade creditors		2,531	2,454
Amounts owed to group undertakings		7,926	8,671
Corporation tax		-	2,102
Other taxation and social security		1,672	957
Government grants	19	25	25
Accruals and deferred income		1,804	1,346
		<u>13,958</u>	<u>15,555</u>

There are no fixed repayment terms for the amounts owed to group undertakings. As the amounts relate to trade balances they have been classified as due within one year.

IRVINGQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

16 Accruals and deferred income falling due after one year

	Notes	2020 £'000	2019 £'000
Government grants	19	772	796
Accruals and deferred income		-	1,388
		<u>772</u>	<u>2,184</u>

17 Provisions for liabilities

	Notes	2020 £'000	2019 £'000
Deferred tax liabilities	18	8	-
		<u>8</u>	<u>-</u>

18 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2020 £'000	Liabilities 2019 £'000	Assets 2020 £'000	Assets 2019 £'000
Balances:				
Fixed asset timing differences	27	-	-	35
Other timing differences	(19)	-	-	148
	<u>8</u>	<u>-</u>	<u>-</u>	<u>183</u>
Movements in the year:				2020 £'000
(Asset) at 1 October 2019				(183)
Charge to profit or loss				191
Liability at 30 September 2020				<u>8</u>

The deferred tax liability set out above is expected to reverse within the foreseeable future and relates to accelerated capital allowances that are expected to mature within the same period.

IRVINGQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

19 Government grants	2020	2019
	£'000	£'000
Arising from government grants	797	821
	<u>797</u>	<u>821</u>
Deferred income is included in the financial statements as follows:		
Current liabilities	25	25
Non-current liabilities	772	796
	<u>797</u>	<u>821</u>
	<u>797</u>	<u>821</u>
20 Retirement benefit schemes	2020	2019
	£'000	£'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	554	611
	<u>554</u>	<u>611</u>

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

IRVINGQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

21 Share capital

	2020	2019	2020	2019
Ordinary share capital Issued and fully paid	Number	Number	£'000	£'000
Ordinary shares of £1 each	12,112,740	12,112,740	12,113	12,113

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

22 Reserves

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

23 Operating lease commitments

Lessee

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

	2020	2019
	£'000	£'000
Within one year	282	353
Between one and five years	355	640
	<u>637</u>	<u>993</u>

24 Events after the reporting date

On 1 March 2021, the group restructured its financing arrangements. As part of this restructure the company received a distribution of £46.6 million from its subsidiary company, Edlaw Limited. As a result of these transactions it is likely that the value of the investment in Edlaw Limited will be impaired.

26 Ultimate controlling party

The immediate parent company is TransDigm European Holdings Limited, a company incorporated in England and Wales (registered office: Suite 1, 3rd Floor, 11-12 St. James's Square, London, SW1Y 4LB).

The directors consider the ultimate parent and controlling party to be TransDigm Group, Inc., a public company incorporated in the United States of America and listed on the NYSE. TransDigm Group, Inc. are the smallest and largest group to produce consolidated financial statements which include the results of IrvingQ Limited. The consolidated financial statements are available from their registered office: The Tower at Erieview, 1301 East 9th St., Suite 3000, Cleveland, OH 44114.