

Registered Number 1857310

Wesco Aircraft Europe Limited
Annual Report
for the year ended 30 September 2007

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Wesco Aircraft Europe Limited
Annual Report
for the year ended 30 September 2007
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Wesco Aircraft Europe Limited

Directors' report for the year ended 30 September 2007

The directors present their report and the audited financial statements of the company for the year ended 30 September 2007

Principal activities

The company's principal activity during the year was to supply parts to the aircraft industry

Review of business and future developments

The directors are satisfied with the results for the year and are confident about future prospects

Principal risks and uncertainties affecting the company are twofold

- 1 General developments within and outside of the aviation industry can affect the company's operations. Orders for new aircraft can be affected by projected air traffic growth and military requirements, as well as the original equipment manufacturer ("OEM")'s ability to manage their build rates. Overall, orders from airlines and military/defence agencies tend to be somewhat cyclical.
- 2 Manufacturing capacity of the company's vendor base is directly affected by the same developments that affect the company's customers. As such, whenever the aviation industry enters an up cycle, the ability of the company's vendor base to produce products on a timely basis in amounts required to support the company's projected turnover may be impaired from time to time.

The company has and will continue to employ certain strategies to limit negative effects of these risks and uncertainties. These strategies include closely monitoring the company's investment in products and pricing products accordingly, regular assessments of customers' current and planned product requirements and continuous involvement in vendors' production scheduling and backlogs.

The company uses key performance indicators to assess its performance. The directors believe that the position of the company is excellent and well poised for anticipated growth in the coming year. This is evidenced by the growth in turnover of 24% from 2006 with a gross profit of 31% (2006 32%), however the business continues to invest in its infrastructure and stock and therefore it is pleasing that it is able to produce a return on capital employed of 21% (2006 20% on a like-for-like basis).

Results and dividends

The results for the year are set out on page 6. The directors did not pay any dividends during the year and have not recommended payment of a dividend.

It is proposed that the retained profit of £2,025,941 is transferred to reserves.

Future developments

The company is financially strong and has the infrastructure to continue its sustained growth pattern. In future years, the directors anticipate that the company will continue to secure future business through its aggressive, yet financially conservative, strategy of pursuing long-term arrangements with large OEMs.

Wesco Aircraft Europe Limited

Charitable donations

During the year the company made £4,726, (2006 £3,534) in charitable donations

Directors and their interests

The directors who held office during the year are set out below

R Snyder
G Hess
A Murray

Auditors

During the year, Garbutt & Elliott Limited resigned as auditors of the company and PricewaterhouseCoopers LLP were appointed. PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution proposing their reappointment will be put to the annual general meeting

By order of the Board



A Murray
Director
29 July 2008

Wesco Aircraft Europe Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 confirm that they have complied with the above requirements in preparing the report and accounts

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. 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

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Relevant information is defined as information needed by the company's auditors in connection with preparing their report. Each director has taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

By order of the Board

A Murray
Director
29 July 2008



Wesco Aircraft Europe Limited

Independent auditors' report to the members of Wesco Aircraft Europe Limited

We have audited the financial statements of Wesco Aircraft Europe Limited for the year ended 30 September 2007 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

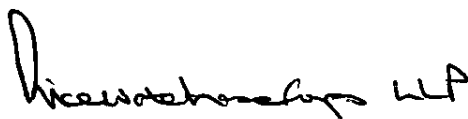
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Wesco Aircraft Europe Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2007 and of its profit and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
30 July 2008

Wesco Aircraft Europe Limited

Profit and loss account for the year ended 30 September 2007

	Note	2007 £	2006 £
Turnover	2	43,645,932	35,270,329
Cost of sales		(29,905,337)	(23,887,965)
Gross profit		13,740,595	11,382,364
Administrative expenses		(10,566,592)	(8,806,093)
Loan waived	25	-	1,223,626
Operating profit	3	3,174,003	3,799,897
Interest receivable and similar income	7	360,782	59,740
Interest payable and similar charges	8	(661,898)	(211,335)
Profit on ordinary activities before taxation		2,872,887	3,648,302
Tax on profit on ordinary activities	9	(846,946)	(1,115,816)
Profit on ordinary activities after taxation	19	2,025,941	2,532,486

All items dealt with in arriving at operating profit above relate to continuing operations

The company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented

Wesco Aircraft Europe Limited

Balance sheet as at 30 September 2007

	Note	2007 £	2006 £
Fixed assets			
Tangible assets	10	1,125,333	1,108,141
Investments	11	100	100
		1,125,433	1,108,241
Current assets			
Stock	12	16,125,787	15,877,045
Debtors	13	8,962,983	8,045,192
Cash at bank and in hand		4,517,850	925,236
		29,606,620	24,847,473
Creditors amounts falling due within one year	14	(15,464,771)	(12,673,171)
Net current assets		14,141,849	12,174,302
Total assets less current liabilities		15,267,282	13,282,543
Creditors amounts falling due after more than one year	15	(35,881)	(77,083)
		15,231,401	13,205,460
Capital and reserves			
Called up share capital	18	20,000	20,000
Share premium account	19	3,130,127	3,130,127
Profit and loss account	19	12,081,274	10,055,333
Total shareholders' funds	20	15,231,401	13,205,460

The financial statements on pages 6 to 22 were approved by the board of directors on 29 July 2008 and were signed on its behalf by

A Murray
Director



Wesco Aircraft Europe Limited

Cash flow statement for the year ended 30 September 2007

	Note	2007 £	2006 £
Net cash inflow from operating activities			
	22	898,170	458,725
Returns on investments and servicing of finance			
Interest received		360,782	59,740
Interest paid		(661,898)	(211,335)
Net cash out flow for returns on investments and servicing of finance		(301,116)	(151,595)
Taxation		(478,588)	(1,467,097)
Capital expenditure			
Purchase of tangible assets		(359,962)	(362,727)
Sale of tangible fixed assets		54,007	51,158
Net cash outflow for capital expenditure		(305,955)	(311,569)
Net cash outflow before use of liquid resources and financing		(187,489)	(1,471,536)
Financing			
Capital element of hire purchase contracts	23	(91,542)	(82,633)
Net cash outflow from financing		(91,542)	(82,633)
Decrease in cash in the year	23	(279,031)	(1,554,169)

Wesco Aircraft Europe Limited

Reconciliation of net cash flow to movement in net debt

	Note	2007 £	2006 £
Decrease in cash in the year		(279,031)	(1,554,169)
Cash outflow from decrease in debt and lease financing		91,542	82,633
Change in net debt resulting from cash flows		(187,489)	(1,471,536)
New finance leases	24	(36,492)	(71,174)
Movement in net debt in the year		(223,981)	(1,542,710)
Net debt at 1 October 2006		(1,615,359)	(72,649)
Net debt at 30 September 2007	23	(1,839,340)	(1,615,359)

Wesco Aircraft Europe Limited

Notes to the financial statements for the year ended 30 September 2007

1 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom, which have been applied consistently except where otherwise stated. A summary of the more important policies is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents the invoiced value of goods and services supplied, excluding value added tax and trade discounts. Turnover is recognised upon despatch to customers.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset, over its expected useful life, as follows:

Leasehold improvements	20 years straight line
Plant and machinery	3-5 years straight line
Fixtures, fittings and equipment	3-5 years straight line
Motor vehicles	4 years straight line

Leases and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated in accordance with the policy stated above. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Stock

Stock is valued at the lower of cost and net realisable value.

Pensions

The company operates a defined contribution pension scheme. The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

Wesco Aircraft Europe Limited

Deferred taxation

Full provision is made for deferred taxation arising from timing differences existing at the balance sheet date where there exists an obligation to pay more, or right to pay less tax

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing difference can be deducted

Deferred tax balances are not discounted and are calculated at the tax rates that are expected to apply in the period in which any timing differences are expected to reverse

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences on exchange are taken to the profit and loss account

Exemption from the obligation to prepare group accounts

The company is a wholly-owned subsidiary of Flintbrook Limited and the results of the company are included in the consolidated financial statements of that company. Accordingly, the company has chosen to take the exemption from preparing group accounts

2 Turnover

Turnover relates wholly to the company's principal activity. A geographical analysis of turnover is set out below

	2007 £	2006 £
United Kingdom	20,085,019	21,866,840
Europe	21,650,985	12,166,829
North America	1,159,249	936,562
Rest of the World	750,679	300,098
	43,645,932	35,270,329

Wesco Aircraft Europe Limited

3 Operating profit

	2007 £	2006 £
Operating profit is stated after charging/(crediting)		
Depreciation of tangible assets	352,078	372,103
Loss on foreign exchange transaction	1,435,430	707,773
Operating lease rentals	180,831	109,275
Auditors' remuneration	34,750	11,000
Profit on disposal of fixed assets	(26,823)	(38,080)
Loan waived (note 25)	-	1,223,626

4 Employee information

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

By activity	2007 Number	2006 Number
Administration	69	71
Sales	27	20
Warehouse	48	45
	144	136

5 Employee costs

	2007 £	2006 £
Wages and salaries	3,557,031	3,819,896
Social security costs	381,428	433,243
Other pensions costs	115,105	86,161
	4,053,564	4,339,300

Wesco Aircraft Europe Limited

6 Directors' emoluments

	2007 £	2006 £
Emoluments for qualifying services	155,897	618,541
Company pension contributions to money purchase schemes	6,646	4,666
	162,543	623,207

Retirement benefits are accruing to one director (2006 one) under money purchase pension schemes

Emoluments disclosed above include the following amounts paid to the highest paid director

	2007 £	2006 £
Emoluments for qualifying services	155,897	618,541
Company pension contributions to money purchase schemes	6,646	4,666

7 Interest receivable

	2007 £	2006 £
Bank interest	360,782	59,740

8 Interest payable

	2007 £	2006 £
On bank loans and overdrafts	650,701	191,240
Hire purchase interest	6,276	11,920
Other interest	4,921	8,175
	661,898	211,335

Wesco Aircraft Europe Limited

9 Taxation

	2007 £	2006 £
Current tax		
UK corporation tax	907,782	1,115,740
Adjustment in respect of prior years	16,372	76
Current tax charge	924,154	1,115,816
Deferred tax		
Origination and reversal of timing differences	(17,217)	*
Adjustment in respect of prior years	(59,991)	-
Total deferred tax (note 16)	(77,208)	-
Tax on profit on ordinary activities	846,946	1,115,816
Factors affecting tax charge for the year		
Profit on ordinary activities before taxation	2,872,887	3,648,302
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2006 30%)	861,866	1,094,491
Effects of		
Non-deductible expenses	28,701	(10,225)
Depreciation add back	105,623	111,631
Capital allowances	(85,453)	(81,997)
Adjustments to previous periods	16,372	76
Other tax adjustments	(2,955)	1,840
	62,288	21,325
Current tax charge	924,154	1,115,816

Factors that may affect future tax charges

The standard rate of Corporation Tax in the UK changes to 28% with effect from 1 April 2008

Wesco Aircraft Europe Limited

10 Tangible fixed assets

	Leasehold improvements	Plant and machinery	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 October 2006	564,951	1,095,350	747,192	344,077	2,751,570
Additions	180,591	86,823	82,212	46,821	396,447
Disposals	-	(246,376)	(358,633)	(110,414)	(715,423)
At 30 September 2007	745,542	935,797	470,771	280,484	2,432,594
Accumulated depreciation					
At 1 October 2006	81,524	783,585	626,056	152,264	1,643,429
Charge for the year	49,689	151,744	80,153	70,492	352,078
Disposals	-	(246,376)	(358,633)	(83,237)	(688,246)
At 30 September 2007	131,213	688,953	347,576	139,519	1,307,261
Net book value					
At 30 September 2007	614,329	246,844	123,195	140,965	1,125,333
At 30 September 2006	483,427	311,765	121,136	191,813	1,108,141

Included above are assets held under finance leases or hire purchase contracts as follows

	Motor vehicles £
Net book values	
At 30 September 2007	112,701
At 30 September 2006	155,260
Depreciation charge for the year	
At 30 September 2007	55,620
At 30 September 2006	52,364

Wesco Aircraft Europe Limited

11 Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 30 September 2006 and 30 September 2007	100
Net book value	
At 30 September 2007 and 30 September 2006	100

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
Wesco Logistics Limited	England and Wales	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last financial period were as follows

	Capital and reserves 2007 £	Profit for the period 2007 £
Wesco Logistics Limited (Dormant)	100	-

12 Stocks

	2007 £	2006 £
Finished goods and goods for resale	16,125,787	15,877,045

Wesco Aircraft Europe Limited

13 Debtors

	2007 £	2006 £
Trade debtors	8,570,874	7,863,436
Prepayments and accrued income	314,901	181,756
Deferred tax asset (note 16)	77,208	-
	8,962,983	8,045,192

14 Creditors – amounts falling due within one year

	2007 £	2006 £
Bank loans and overdrafts	6,256,447	2,384,802
Net obligations under hire purchase contracts	64,862	78,710
Trade creditors	2,990,472	2,861,505
Amounts owed to subsidiary undertakings	100	100
Corporation tax	509,285	63,719
Other taxes and social security costs	101,722	369,820
Other creditors	4,822,818	5,731,148
Accruals and deferred income	719,065	1,183,367
	15,464,771	12,673,171

The bank borrowings represent a bank overdraft which is secured by a fixed and floating charge over all company assets

Hire purchase contracts are secured against the assets to which they relate

Other creditors represents amounts owed to related parties, as disclosed in Related party transactions (note 25)

Wesco Aircraft Europe Limited

15 Creditors – amounts falling due after more than one year

	2007	2006
	£	£
Net obligations under hire purchase contracts	35,881	77,083

Hire purchase contracts are secured against the assets to which they relate

	2007	2006
	£	£
Net obligations under hire purchase contracts		
Repayable within one year	69,364	87,084
Repayable between one and five years	37,933	80,277
	107,297	167,361
Finance charges and interest allocated to future accounting periods	(6,554)	(11,568)
	100,743	155,793
Included in liabilities falling due within one year	(64,862)	(78,710)
	35,881	77,083

16 Deferred tax

	2007	2006
	£	£
Deferred tax comprises		
Accelerated capital allowances	72,714	-
Other timing differences	4,494	-
	77,208	-
Balance at 1 October	-	-
Deferred tax credit in profit and loss account (note 9)	77,208	-
Deferred tax asset at 30 September	77,208	-

17 Pension commitments

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund totalling £115,105 (2006: £86,161).

Wesco Aircraft Europe Limited

18 Called up share capital

	2007 £	2006 £
Authorised		
1,000,000 ordinary shares of £1 each	100,000	100,000
Allotted and fully paid		
20,000 ordinary shares of £1 each	20,000	20,000

19 Reserves

	Share premium account £	Profit and loss account £
At 1 October 2006	3,130,127	10,055,333
Retained profit for the year	-	2,025,941
At 30 September 2007	3,130,127	12,081,274

20 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Profit for the financial year	2,025,941	2,532,486
Opening shareholders' funds	13,205,460	10,672,974
Closing shareholders' funds	15,231,401	13,205,460

Wesco Aircraft Europe Limited

21 Financial commitments

At 30 September 2007 the company had annual commitments under non-cancellable operating leases expiring as follows

	Land and buildings	
	2007	2006
	£	£
After five years	144,000	120,000

22 Reconciliation of operating profit to net cash flow from operating activities

	2007	2006
	£	£
Operating profit	3,174,003	2,576,271
Depreciation of tangible assets	352,078	372,103
Profit on disposal of tangible assets	(26,823)	(38,080)
Increase in stocks	(248,742)	(1,815,828)
Increase in debtors	(840,583)	(1,987,570)
(Decrease)/Increase in creditors within one year	(1,511,763)	1,351,829
Net cash inflow from continuing operations	898,170	458,725

Wesco Aircraft Europe Limited

23 Analysis of changes in net debt

	At 1 October 2006	Cash flow	Other non cash changes	At 30 September 2007
	£	£	£	£
Net cash				
Cash at bank and in hand	925,236	3,592,614	-	4,517,850
Bank overdrafts	(2,384,802)	(3,871,645)		(6,256,447)
	(1,459,566)	(279,031)	-	(1,738,597)
Debt				
Finance leases	(155,793)	91,542	(36,492)	(100,743)
Net debt	(1,615,359)	(187,489)	(36,492)	(1,839,340)

24 Major non-cash transactions

During the year the company entered into hire purchase contracts in respect of assets with a total capital value at the inception of the contracts of £36,492 (2006 £71,174). The company had a loan owed to a related party waived in 2006. The amount waived was £1,223,626, as disclosed in note 25.

25 Related party transactions

During the financial year the company entered into transactions with related parties as stated below.

Wesco Aircraft Hardware Corp (WAHC)

WAHC a company registered in the USA is under common control together with Wesco Aircraft Europe Limited (WAE). During the year WAHC purchased £1,111,747 (2006 £988,028) of aircraft parts from, and sold £21,084,773 (2006 £12,548,600) of aircraft parts to WAE on an arm's length basis. At the balance sheet date £4,640,470 (2006 £5,731,148) was owed to WAHC.

During the prior year, an interest-free loan amounting to £1,223,626 owed to WAHC was waived by WAHC and was shown as exceptional income in the prior year profit and loss account.

Other companies under common control

WAE also incurs sales commission costs from other companies in Europe under common control. These amounted to £2,455,697 for the year (2006 £1,564,527). At the balance sheet date, £182,348 was owed to these companies (2006 £nil).

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Snyder Family Living Trust (Trust)

The company operates from premises which are owned by the Trust, in which R Snyder, a director of this company, has an interest. Rents payable to the Trust for the year amounted to £90,000 (2006 £84,000). No balances are outstanding at the balance sheet date (2006 £nil).

26 Ultimate parent undertaking and ultimate controlling party

The immediate parent company is Flintbrook Limited, a company incorporated in the UK which prepares consolidated financial statements. Copies of Flintbrook Limited financial statements can be obtained from the company secretary at Park Mill Way, Clayton West, Huddersfield, HD8 9XJ.

The ultimate controlling party is Wesco Holdings Inc, incorporated in the USA.