

Company registration number: 01857310

Wesco Aircraft Europe Limited
Annual report and financial statements
for the year ended 30 September 2014

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Wesco Aircraft Europe Limited

Company information

Directors

G Capell
J Dobrucki
J Holland (appointed 14 January 2015)
A Murray (appointed 14 January 2015)
G Hann (resigned 14 January 2015)
R Snyder (resigned 14 January 2015)

Company secretary

J Holland

Company number

01857310

Registered office

Park Mill Way
Clayton West
Huddersfield
West Yorkshire
HD8 9XJ

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Benson House
33 Wellington Street
Leeds
LS1 4JP

Bankers

Lloyds Bank plc
6/7 Park Row Leeds
LS1 1NX

Wesco Aircraft Europe Limited

Annual report and financial statements for the year ended 30 September 2014

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Wesco Aircraft Europe Limited

Strategic report for the year ended 30 September 2014

The directors present their strategic report on the company for the year ended 30 September 2014.

Review of the business

The business of Wesco Aircraft Europe Limited continued to be primarily the supply of fasteners to the aircraft industry. The directors consider the results for the year satisfactory and are confident about future prospects. Principal risks and uncertainties affecting the company are threefold:

1. General developments in 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. Build rates continued to grow during 2013/14 with longer term expectations following the economic slowdown of the previous year. Contracted orders from airlines and military/defence agencies grew as did non-contracted demand. The consensus view is that the aerospace sector is likely to experience continued growth with major commercial aircraft manufacturers showing growing orderbooks. The trend from previous year continues as in the USA and Europe older aircraft are replaced by more economical newer models, and in markets such as China and India consumer demand is increased.
2. Concurrently the maintenance, repair and overhaul ("MRO") market for new aircraft is expected to grow for the next decade.
3. Manufacturing capacity of the company's vendor base is affected by the same developments that affect the company's customers. In 2012/13 demand levels exceeded supply but in 2013/14 this pressure started to ease.

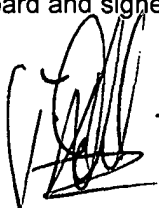
The company employs strategies to limit these risks. This includes monitoring the company's investment in products and pricing accordingly, regular assessments of customers' current and planned requirements and continuous involvement in vendors' production scheduling and backlog management.

On the 2 September 2014 the company made an intercompany sale of its Canadian activities to a Wesco Canada Inc, owned by Wesco Aircraft Holdings Inc., which resulted in a loss of £1.8 million. See note 22 for further information.

The key performance indicators measured by the company show that overall sales grew by £16.7 million to £179.1 million in 2013/14 reflecting growth of 10% versus 2012/13 but gross profit decreased to 27% (2013: 29%), reflecting a more competitive marketplace and fewer shortages in the supply chain. Growth in turnover reflected positive non-contracted sales performance, albeit at slightly lower margins, and maturation of contracts. Costs (excluding Canada) grew by 4%. The relatively low growth in costs is broadly in line with inflationary pressure. The profit for the full year was £25.3 million with total net assets at 30 September 2014 of £121.6 million.

Approved by the board and signed on their behalf by:

J Dobrucki
Director
14 September 2015



Wesco Aircraft Europe Limited

Directors' report for the year ended 30 September 2014

The directors present their directors' report and the audited financial statements of the company for the year ended 30 September 2014.

Branches outside the UK

The company operates four branches in France, Italy, Germany and India.

Future developments

The company remains financially strong and has the infrastructure to continue its growth with the medium to long term outlook for the aircraft industry remaining exceptionally strong. 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. The investment in an e-Commerce web based platform has yet to yield its full potential.

Commercial aerospace is a long-term growth industry with Global GDP growth driving strong growth. There is a record backlog of over 12,700 aircraft representing over 9 years of production at current build rates with additional rate increases expected on Boeing 787/737 and Airbus A320 (boosted by the A320 NEO) with new programme starts (A350, 737 MAX, 777X) on the horizon. In Europe, the military side of the industry slowed, with programmes such as the Eurofighter failing to secure additional orders but the demand for trainer aircraft continued and F 35 production ramped up.

Employees

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of the company as a whole. Communication with all employees continues through the intranet, team briefings and the business update. An independent review of the comprehensive survey was conducted in November 2014 and the results were well above industry norms and reflected a motivated and satisfied workforce which is key to future success.

Financial instruments

The company's operations expose it to a variety of financial risks that include the effects of changes in interest rates, liquidity risk, credit risk and foreign exchange risk. The company seeks to limit the effects of such risks through the continuing support of its ultimate parent company. Cash forecasts are established in order to analyse more quickly these financial risks.

In May 2014 loans were issued by Flintbrook to Wesco Aircraft Europe for £16.1million which were used to purchase ledger debt with Wesco Aircraft Hardware. These loans, an earlier loan for £7.6 million from 2010 and the outstanding amount on the funding received from Wesco Aircraft Hardware of £44.5 million were settled from the £76.5 million proceeds related to the sale of the Canadian business in September 2014.

Liquidity risk

The company manages liquidity risk by ensuring sufficient funds are available for at least the next 12 months.

Wesco Aircraft Europe Limited

Directors' report for the year ended 30 September 2014 (continued)

Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

The company has implemented policies that require appropriate credit checks on customers before sales are made and the amount of exposure to any individual customer is subject to a limit, which is assessed regularly by management. However, to date, the nature of the principal customers has meant that the company is not exposed to significant credit risk and foresees no default of third parties which could have a significant impact on the financial statements.

Interest rate risk

Interest rate risk arises as a consequence of borrowings from banks, the borrowings from which are at variable rates of interest. The company does not use derivative financial instruments to manage interest rate costs and as such no hedge accounting is applied.

Foreign currency risk

The company is exposed to movements in foreign exchange rates as a result of making sales and purchases in foreign currencies. The risk is mitigated as most purchases and sales are denominated in US dollars and therefore a natural hedge exists. The company has also mitigated risk by maintaining foreign currency bank accounts and hedged against foreign exchange movements beyond pre-determined foreign exchange rates.

Commodity price risk

The company is exposed to commodity price risk as a result of its operations. The company manages the risk through supply agreements which provide against such commodity price risk.

Results and dividends

The results for the year are set out on page 7. The directors do not recommend payment of an ordinary dividend (2013: £nil). It is proposed that the retained profit of £25.3 million (2013: £20.0 million) be taken to reserves.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements are as set out on the "Company information" page.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Political donations

The company made no political donations.

Wesco Aircraft Europe Limited

Directors' report for the year ended 30 September 2014 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, 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 prepared 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; 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. 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.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP are the auditors to the company and in accordance with section 487(2) of the Companies Act 2006, they are deemed to be re-appointed for each succeeding financial year.

Approved by the board and signed on their behalf by:

J Dobrucki
Director
14 September 2015



Wesco Aircraft Europe Limited

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

Report on the financial statements

Our opinion

In our opinion, Wesco Aircraft Europe Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 September 2014 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.
-

What we have audited

The financial statements comprise:

- the balance sheet as at 30 September 2014;
- the profit and loss account for the year then ended;
- the statement of total recognised gains and losses for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Wesco Aircraft Europe Limited

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements. We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Randal Casson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

14 September 2015

Wesco Aircraft Europe Limited

Profit and loss account for the year ended 30 September 2014

	Note	2014 £'000	2013 £'000
Turnover	2	179,113	162,390
Cost of sales		(130,980)	(114,053)
Gross profit		48,133	48,337
Administrative expenses		(17,263)	(22,588)
Operating profit	3	30,870	25,749
Profit on disposal of fixed assets	22	1,801	-
Impairment of investments	12	(887)	-
Net interest (payable)/receivable	8	(956)	114
Profit on ordinary activities before taxation		30,828	25,863
Tax on profit on ordinary activities	9	(5,514)	(5,845)
Profit for the financial year	19	25,314	20,018

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

There is no difference between the profit on ordinary activities before taxation and the retained profit for the financial years stated above and their historical cost equivalents.

Statement of total recognised gains and losses for the year ended 30 September 2014

	2014 £'000	2013 £'000
Profit for the financial year	25,314	20,018
Impact of foreign exchange	(4,735)	(2,431)
Total recognised gains and losses for the financial year	21,466	17,587

Wesco Aircraft Europe Limited

Balance sheet as at 30 September 2014

	Note	2014 £'000	2013 £'000
Assets			
Intangible assets	11	-	45,080
Tangible fixed assets	10	733	1,366
Investments	12	-	887
		733	47,333
Current assets			
Stocks	13	58,039	82,164
Debtors	14	69,134	39,427
Cash at bank and in hand		19,233	16,997
		146,406	138,588
Creditors: amounts falling due within one year	15	(25,516)	(85,298)
Net current assets/(liabilities)		120,890	53,290
Total assets less current liabilities		121,623	100,623
Capital and reserves			
Called up share capital	18	20	20
Share premium account	19	37,611	37,611
Profit and loss account	19	84,879	62,992
Total shareholders' funds	20	121,623	100,623

The financial statements on pages 7 to 25 were approved by the board of directors on 14 September 2015 and were signed on its behalf by:

J Dobrucki
Director



Company registration number: 01857310

Wesco Aircraft Europe Limited

Notes to the financial statements for the year ended 30 September 2014

1 Accounting policies

Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below. In accordance with section 401 of the Companies Act 2006 no consolidated financial statements are presented.

Cash flow statement

The cash flows of the company are consolidated into Wesco Aircraft Holdings Inc., its ultimate parent undertaking, a company that prepares publicly available consolidated financial statements. Consequently, in accordance with FRS 1 (revised 1996), no cash flow statement has been included within these financial statements.

Turnover

Turnover represents amounts receivable for goods and services net of value added tax and trade discounts. Wesco recognises revenue when it has transferred all rights and obligations to customers with no outstanding liabilities remaining. This is done by reference to contracted Incoterms that are quoted on shipping documentation and recorded in Wesco's systems.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. 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	Over the life of the lease
Plant and machinery	3-5 years straight line
Fixtures, fittings and equipment	3-5 years straight line
Computer hardware	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 over the shorter of the lease term and their useful lives. 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.

Stock

Stock is valued at the lower of average weighted cost and net realisable value. Wesco values stock using moving average weighted cost calculated by dividing the total cost of goods available for sale by the total number available for sale.

Provision against obsolescence is calculated by analysing how stock is consumed and extrapolating a curve to forecast usage of older inventory. From this expected sell through, Wesco has determined an appropriate annual percentage stock write down from the date goods were brought into the group.

Wesco Aircraft Europe Limited

Notes to the financial statements for the year ended 30 September 2014 (continued)

1 Accounting policies (continued)

Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

Deferred taxation

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

- Provision is made for tax on gains arising from revaluation of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into the replacement assets and charged to tax only where the replacement assets are sold.

- 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 periods in which the timing differences are expected to reverse.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the 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 are taken to the profit and loss account.

Intangible assets

Purchased goodwill is measured as the excess of the aggregate of the consideration transferred over the fair value of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit and loss over the period in which the assets acquired are expected to be realised. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in the statement of total recognised gains and losses.

Impairment reviews are undertaken when there has been an indication of potential impairment. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Purchased goodwill is amortised using the straight-line method over an estimated useful life of 20 years.

Investments

Fixed asset investments are stated at cost less provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Wesco Aircraft Europe Limited

Notes to the financial statements for the year ended 30 September 2014 (continued)

1 Accounting policies (continued)

Share based payments

The ultimate parent company operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

2 Turnover

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

	2014 £'000	2013 £'000
United Kingdom	33,865	37,407
Europe	102,677	80,594
North America	36,664	38,064
Rest of the world	5,907	6,325
	179,113	162,390

3 Operating profit

	2014 £'000	2013 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets	563	483
Amortisation of intangible assets	2,058	2,511
Gain on foreign exchange transactions	(3,662)	(1,186)
Operating lease rentals		
- plant and machinery	102	146
- other assets	208	224
Fees payable to the company's auditors for the audit of the company's financial statements	58	46

Wesco Aircraft Europe Limited

Notes to the financial statements for the year ended 30 September 2014 (continued)

4 Employee information

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

By activity	2014 Number	2013 Number
Administration	97	86
Sales	68	65
Warehouse	46	45
	211	196

5 Employee costs

	2014 £'000	2013 £'000
Wages and salaries	5,977	6,127
Social security costs	701	572
Other pension costs	594	470
Cost of employee share scheme (note 7)	421	441
	7,693	7,610

Wesco Aircraft Europe Limited

Notes to the financial statements for the year ended 30 September 2014 (continued)

6 Directors' emoluments

	2014 £'000	2013 £'000
Aggregate emoluments for qualifying services	357	298
Company pension contributions to money purchase schemes	41	36
	398	334

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to two (2013: two). The number of directors who exercised share options amounted to nil (2013: nil).

Highest paid director	2014 £'000	2013 £'000
Emoluments for qualifying services	232	175
Company pension contributions to money purchase schemes	26	21
	258	196

7 Share-based payments

Share Options

Share Options have been granted in Wesco Aircraft Holdings Inc, the ultimate parent company of Wesco Aircraft Europe Limited, since 2006. The parent company's remuneration committee can grant options over shares in the parent company to employees of the group. Prior to the listing of the parent company on the New York Stock exchange, options were granted with an exercise price equal to the estimated market price of the shares under option at the date of grant. After flotation shares were granted in line with market price. The contractual life of an option is 10 years.

Awards under the share option plan are generally reserved for employees at senior management level and above; 10 employees are currently eligible to participate in this group.

The company has had ad-hoc grants of options on each year since January 2009. Options granted vest annually over a period of between 3 and 5 years. Exercise of an option is subject to continued employment.

Options were valued using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculation are as follows:

Wesco Aircraft Europe Limited

Notes to the financial statements for the year ended 30 September 2014 (continued)

7 Share-based payments (continued)

	Options Granted:					
	17-May-07	31-Aug-08	30-Jun-08	02-Aug-11	24-Oct-12	01-Oct-13
Share price at grant date	n/a	n/a	n/a	\$15.00	\$15.00	\$20.87
Exercise price (USD)	\$4.12	\$5.16	\$5.16	\$15.00	\$13.49	\$20.87
Number of employees	5	1	1	12	10	10
Shares under option	629,514	29,511	22,500	53,100	39,750	43,600
Vesting period (years)	4.4	4.8	4.8	3.2	2.9	3.0
Expected volatility	48.3%	51.5%	50.8%	46.0%	46.5%	45.0%
Option life (years)	10	10	10	10	10	10
Expected life (years)	6.2	6.5	6.5	6.0	6.0	6.0
Risk-free interest rate	4.58%	2.76%	3.51%	2.23%	1.04%	1.72%
Fair value per option (USD)	\$2.19	\$2.49	\$2.50	\$6.91	\$6.08	\$9.36

The expected volatility is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on U.S. Treasury securities of a term consistent with the assumed option life.

The weighted average fair value of options granted in the year was \$9.36 (2013: \$6.08).

A reconciliation of option movements over the past two years is shown below:

	2014		2013	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 October	215,767	\$6.38	338,877	\$5.92
Granted	42,400	\$20.87	39,750	\$13.49
Failed to vest	-900	\$13.49	-45,000	\$14.93
Exercised	-105,556	\$5.41	-117,860	\$4.19
Outstanding at 30 September	151,711	\$5.22	215,767	\$6.38
Exercisable at 30 September	111,319	\$8.29	207,717	\$6.22

Wesco Aircraft Europe Limited

Notes to the financial statements for the year ended 30 September 2014 (continued)

7 Share-based payments (continued)

Range Of Exercise Prices	Weighted Ave Exercise Price	2014			2013			
		No Shares	Weighted Ave Remaining Life:		Weighted Ave Exercise Price	No Shares	Weighted Ave Remaining Life	
			Expected	Contractual			Expected	Contractual
\$0.00-\$5.00	4.12	67,399	-	-	\$4.12	146,285	-	0.4
\$5.01-\$10.00	5.16	7,237	-	0.5	\$5.16	21,632	-	2.5
\$10.01-\$15.00	13.76	34,675	-	2.8	\$13.49	39,750	1.1	5.1
\$10.01-\$15.00	20.87	42,400	0.1	4.1	\$15.00	44,250	1.0	3.8

The weighted average share price during the year for options exercised over the year was \$21.53 (2013: \$16.44). The total charge for the year relating to employee share-based payment plans was £218,000 (2013: £276,000), all of which related to equity-settled share-based payment transactions. After deferred tax, the total charge was £212,000 (2013: £215,000).

Restricted stock units

The fair value of restricted stock units is the market price at grant date and is amortised over the respective vesting periods. The restricted stock units charge to the profit and loss account for the year is £203,000 (2013: £165,000). After deferred tax, the total charge was £193,000 (2013: £129,000).

The following table summarises restricted stock units activity during the year:

	2014		2013	
	Restricted Stock Units	Weighted Average Fair Value	Restricted Stock Units	Weighted Average Fair Value
Outstanding at 1 October	17,256	\$ 13.78	16,313	\$ 15.00
Granted	16,400	\$ 20.87	21,663	\$ 13.49
Forfeited	(3,450)	\$ 15.94	(12,337)	\$ 14.83
Vested	(13,549)	\$ 16.53	(8,383)	\$ 13.86
Outstanding at 30 September	16,657	\$ 18.07	17,256	\$ 13.78

Wesco Aircraft Europe Limited

Notes to the financial statements for the year ended 30 September 2014 (continued)

8 Net interest payable/(receivable)

	2014	2013
	£'000	£'000
On bank loans and overdrafts	18	37
Other interest payable/(receivable)	938	(151)
	956	(114)

Wesco Aircraft Europe Limited

Notes to the financial statements for the year ended 30 September 2014 (continued)

9 Tax on profit on ordinary activities

	2014 £'000	2013 £'000
Current tax		
UK corporation tax on profits of the year	5,737	5,975
Adjustments in respect of previous years	(223)	(131)
Total current tax	5,514	5,844
Deferred tax		
Origination and reversal of timing differences	(77)	1
Tax on profit on ordinary activities	5,456	5,845

The tax assessed for the year is lower (2013: lower) than the standard effective rate of corporation tax in the UK of 22% (2013: 23.5%). The differences are explained below:

Factors affecting tax charge for the year

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation	30,828	25,863
Profit on ordinary activities multiplied by standard rate in the UK 22% (2013: 23.5%)	6,782	6,079
Effects of:		
Expenses not deductible for tax purposes	199	116
Income not taxable for tax purposes	(1,206)	-
Capital allowances lower than depreciation	58	33
Higher tax rates on overseas earnings	224	-
Adjustments in respect of previous years	(234)	(131)
Share options	(256)	(253)
Group Relief	(53)	-
Current tax charge	5,514	5,844

Wesco Aircraft Europe Limited

Notes to the financial statements for the year ended 30 September 2014 (continued)

10 Tax on profit on ordinary activities (continued)

Factors affecting current and future tax charges

On 2 July 2014, legislation was substantively enacted to reduce the main rate of corporation tax to 21% for the financial year commencing 1 April 2014 and 20% for the financial year commencing 1 April 2015.

In the July 2015 Budget, it was announced that the main rate of corporation tax will reduce to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. We expect to include an assessment of the impact of these changes on the company's deferred tax assets and liabilities in our accounts for the year ended 30 September 2015.

10 Tangible fixed assets

	Leasehold improvements	Plant and machinery	Fixtures, fittings and equipment	Computer Hardware	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 October 2013	1,401	1,467	667	387	3,922
Additions	1,709	18	146	103	1,976
Disposals	(1,758)	(123)	(100)	(423)	(2,404)
Impact of foreign exchange	(2)	(3)	(2)	(9)	(16)
At 30 September 2014	1,350	1,359	711	58	3,478
Accumulated depreciation					
At 1 October 2013	880	1,100	431	146	2,557
Charge for the year	191	141	144	87	563
Disposals	(61)	(55)	(65)	(189)	(370)
Impact of foreign exchange	(1)	(1)	-	(3)	(5)
At 30 September 2014	1,009	1,185	510	41	2,745
Net book value					
At 30 September 2014	341	174	201	17	733
At 30 September 2013	521	367	236	241	1,366

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Notes to the financial statements for the year ended 30 September 2014 (continued)

11 Intangible assets

	Goodwill
	£'000
Cost	
At 1 October 2013	48,068
Impact of foreign exchange	(3,768)
Disposal	(44,300)
At 30 September 2014	-
Accumulated amortisation	
At 1 October 2013	(2,988)
Charge for the year	(2,058)
Impact of foreign exchange	249
Disposal of investment	4,797
At 30 September 2014	-
Net book value	
At 30 September 2014	-
At 30 September 2013	45,080

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Notes to the financial statements for the year ended 30 September 2014 (continued)

12 Fixed asset investments

Shares in group undertakings	2014 £'000	2013 £'000
Cost and net book value	-	887

The directors believe that the carrying value of the investments are supported by their underlying net assets.

The company holds share capital in the following companies:

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
Interfast Europe Limited	England and Wales	Ordinary	100
Interfast USA Inc.	Delaware, USA	Ordinary	100

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Notes to the financial statements for the year ended 30 September 2014 (continued)

13 Stocks

	2014	2013
	£'000	£'000
Finished goods and goods for resale	58,039	82,164

The replacement cost of stocks may vary from that included in the financial statements on a weighted average cost basis. However, owing to the nature of the items in question, the directors do not consider that it would be possible to disclose a materially reliable replacement cost valuation for the Company's entire stockholding.

14 Debtors

	2014	2013
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	42,968	31,417
Amounts owed by parent and fellow subsidiary undertakings	24,979	2,331
Deferred tax asset (note 16)	298	221
Overseas sales tax recoverable	240	5,001
Prepayments and accrued income	649	457
	69,135	39,427

15 Creditors: amounts falling due within one year

	2014	2013
	£'000	£'000
Trade creditors	11,034	12,666
Amounts owed to parent and fellow subsidiary undertakings	1,039	12,607
Loan note to fellow subsidiary undertakings	721	53,406
Other taxation and social security costs	12,040	4,816
Accruals and deferred income	683	1,803
	25,516	85,298

Wesco Aircraft Europe Limited

Notes to the financial statements for the year ended 30 September 2014 (continued)

15 Creditors: amounts falling due within one year (continued)

Amounts due to parent and fellow subsidiary undertakings are unsecured and repayable on demand.

During the year the company repaid various loan notes following the sale of its interests in Canada. At the end of the year there was one loan note outstanding with Wesco SF LLC, a fellow subsidiary undertaking, of £721,574 (2012: £7,600,000) issued on the 30 September 2014..

This was a deep discounted note issued by the company to Flintbrook, who subsequently transferred this note to Wesco SF LLC. It is discounted at a rate of 8.0% for 10 years with £1,557,823 repayable in 2024.

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

16 Deferred tax

Deferred tax comprises:	2014 £'000	2013 £'000
Decelerated capital allowances	(143)	(81)
Short term timing differences	(155)	(140)
	(298)	(221)
Balance at 1 October	(221)	(222)
Profit and loss account (note 9)	(77)	1
Deferred tax asset at 30 September	(298)	(221)

Wesco Aircraft Europe Limited

Notes to the financial statements for the year ended 30 September 2014 (continued)

17 Pension commitments

Defined contribution

The company operates a defined contribution pension 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, of which £57,829 (2013: £844) was accrued and included within creditors.

	2014	2013
	£'000	£'000
Contributions payable by the company for the year	594	470

18 Called up share capital

	2014	2013
	£'000	£'000
Allotted and fully paid		
20,001 (2013: 20,001) ordinary shares of £1 each	20	20

19 Reserves

	Share premium account	Profit and loss account
	£'000	£'000
At 1 October 2013	37,611	62,992
Premium on share issue	-	-
Adjustment in respect of employee share schemes	-	421
Currency translation differences	-	(4,735)
Profit for the financial year	-	25,314
At 30 September 2014	37,611	83,992

Wesco Aircraft Europe Limited

Notes to the financial statements for the year ended 30 September 2014 (continued)

20 Reconciliation of movements in shareholders' funds

	2014 £'000	2013 £'000
Profit for the financial year	25,314	20,018
Premium on share issue	-	34,481
Currency translation differences	(4,735)	(2,431)
Adjustment in respect of employee share schemes	421	441
Opening shareholders' funds	100,623	48,114
Closing shareholders' funds	121,623	100,623

21 Financial commitments

At 30 September 2014 the company was committed to making the following annual payments under non-cancellable operating leases:

	Land and buildings 2014 £'000	Other 2014 £'000	Land and buildings 2013 £'000	Other 2013 £'000
Operating leases which expire:				
Within one year	20	25	-	5
Between two to five years	-	61	60	71
In over five years	219	-	209	-
	239	86	269	76

Wesco Aircraft Europe Limited

Notes to the financial statements for the year ended 30 September 2014 (continued)

22 Disposals

On the 2 September 2014 the company made an intercompany sale of its Canadian activities to a Wesco Canada Inc, owned by Wesco Aircraft Holdings Inc:

	2014 £'000
Intangible assets	43,435
Tangible assets	2,031
Stock	18,133
Debtors	6,602
Cash	2,334
Creditors	2,229
Net assets disposed	74,765
Consideration	76,566
Profit on disposal	1,801

23 Related party transactions

The company has taken advantage of the exemption under paragraph 3 of FRS 8 from disclosure of transactions with group undertakings.

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

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. Rent payable to the Trust for the year amounted to £113,085 (2013: £113,085). At the balance sheet date there was no balance outstanding (2013: £nil).

24 Ultimate parent undertaking and ultimate controlling party

The immediate parent undertaking is Flintbrook Limited. The ultimate parent undertaking and controlling party is Wesco Aircraft Holdings, Inc., a company incorporated in the United States of America.

Wesco Aircraft Holdings Inc. is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 30 September 2014. The consolidated financial statements of Wesco Aircraft Holdings, Inc are available from Wesco Aircraft Hardware, Global Headquarters, 27727 Avenue Scott, Valencia, CA 91355, USA.