

Registration number: 01857310

Wesco Aircraft Europe Limited

Annual Report and Financial Statements

for the Year Ended 30 September 2016

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Wesco Aircraft Europe Limited

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Wesco Aircraft Europe Limited

Company Information

Directors	J A Dobrucki J Holland A Murray A Phennah
Company secretary	J Holland
Registered office	Lawrence House Riverside Drive Cleckheaton West Yorkshire BD19 4DH
Bankers	Lloyds TSB Bank PLC 6/7 Park Row Leeds LS1 1NX
Independent auditors	PricewaterhouseCoopers LLP Central Square 29 Wellington Street Leeds LS1 4DL

Wesco Aircraft Europe Limited

Strategic Report for the Year Ended 30 September 2016

The directors present their strategic report and audited financial statements for the year ended 30 September 2016.

Principal activity

The principal activity of the Company is primarily the supply of fasteners to the aircraft industry.

Fair review of the business

The company's key performance indicators show that sales of £116.2m represented an increase of 1.0% on 2015 (£115.0m). Gross margin increased significantly to 34.2% compared to 23.7% in the prior year, however the prior year was adversely impacted by an increase of £6.7m in the inventory provision. This arose as a result of a change in provisioning methodology to align with a shift in management philosophy. Operating profit was £25.9m compared to £13.1m in 2015. After the payment of dividends of £44.3m, net assets decreased from £133.2m to £109.5m.

Principal risks and uncertainties

Principal risks and uncertainties affecting the company are threefold:

Commercial Aerospace Market

Over the past three years, major airlines have ordered new aircraft at a robust pace, aided by strong profits and increasing passenger volumes. At the same time, volatile fuel prices have led to greater demand for fuel-efficient models and new engine options for existing aircraft designs. As a result, large commercial OEMs have reported increased deliveries and unprecedented backlog levels. The rise of emerging markets has added to this growth at a stronger pace than seen historically. Business aviation has lagged the larger commercial market, reflecting a deeper downturn in the recession. Production levels remain well below their pre-recession peak, though this has been offset somewhat by stronger demand for larger, more expensive aircraft.

Military Aerospace Market

Military build-rates have declined recently (and may continue to decline going forward), negatively impacting this portion of our business. We believe the diversity of the military aircraft programs we support can help mitigate the impact of program delays, changes or cancellations. Increased sales to other active programs that directly benefit from such changes also help moderate build-rate declines. In addition, we believe the services we provide the Joint Strike Fighter program will benefit our future business as production increases.

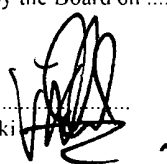
Aftermarket

Demand benefits from many of the same trends as those in OEM channels, but it is also impacted by requirements to maintain ageing aircraft and the cost of fuel, which can lead to greater utilisation of existing planes. Demand in the military aftermarket is further driven by changes in overall fleet size and the level of U.S. military activity overseas.

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.

Approved by the Board on 28/6/2017 and signed on its behalf by:

.....
J A Dobrucki
Director



Wesco Aircraft Europe Limited

Directors' Report for the Year Ended 30 September 2016

The directors present their report and the audited financial statements for the year ended 30 September 2016.

Directors of the Company

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

J A Dobrucki

J Holland - Company secretary and director

A Murray

A Phennah (appointed 14 January 2016)

G Capell (resigned 2 October 2015)

Results and dividends

The directors consider the results for the year satisfactory and are confident about future prospects. The results for the year are set out in the Statement of Comprehensive Income. The directors declared an ordinary dividend during the year of £44,038,058 (2015 - £Nil) but do not recommend the payment of a final dividend (2015 - £Nil).

Transition to FRS 102

These financial statements are the first to be presented by the Company under FRS 102 or "new UK GAAP". There were no material impacts arising from transition.

Branches outside the United Kingdom

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.

OEMs and their sub assembly manufacturers continue to outsource critical supply chain functions and legacy programs expand through new locations and SKUs. The aerospace cycle shows build rates increasing on full OEM order books leading to new attractive aftermarket opportunities as major aircraft platforms are introduced. Whilst the military is experiencing budget pressures this focusses contractors and suppliers on greater efficiency which presents an opportunity to generate supply chain efficiencies and outsourcing. Furthermore the globalisation of the industry is bringing opportunities in growing global market which Wesco can capitalise on by bringing together its hardware and chemical offerings.

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 interest 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.

Wesco Aircraft Europe Limited

Directors' Report for the Year Ended 30 September 2016

Subsequent events

Subsequent to the year end, the ultimate parent company Wesco Aircraft Holdings, Inc. incorporated a new subsidiary in the UK, Wesco Aircraft EMEA Limited ("Wesco EMEA"). The purpose of Wesco EMEA is to combine the group's existing UK trading operations into a single legal entity. Wesco EMEA has a functional and presentational currency of US Dollars whereas the existing businesses are in GB Pounds.

On 1 April 2017, the trade and assets of Wesco Aircraft Europe Limited, along with those of its sister company Haas Group International SCM Limited (inclusive of its operating divisions RD Taylor and Fasteq) were therefore transferred into Wesco EMEA. Wesco Aircraft Europe Limited therefore ceased to trade with effect from that date.

Further information in relation to this group reorganisation can be found on the group's website at www.wescoair.com under company downloads.

These changes represent a non-adjusting post balance sheet event and the changes have not been reflected in these financial statements.

Financial instruments

Objectives and policies

The company's operations expose it to a variety of financial risks that include the effects of changes in interest rate, 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.

Liquidity risk

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

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 hedge 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.

Wesco Aircraft Europe Limited

Directors' Report for the Year Ended 30 September 2016

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 last financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Disclosure of information to the auditors

In the case of each of the persons who are directors at the time this report is approved, the following applies:

- as far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Approved by the Board on 28/6/2017 and signed on its behalf by:

.....
J A Dobrucki
Director



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 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, comprise FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, 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.

Wesco Aircraft Europe Limited

Independent Auditor's 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 2016 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, included within the Annual Report and the Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 30 September 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity 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 United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (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

Independent Auditor's Report to the Members of 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 6, 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 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

Date: 28/6/2017

Wesco Aircraft Europe Limited

Statement of Comprehensive Income for the Year Ended 30 September 2016

	Note	2016 £ 000	2015 £ 000
Turnover	3	116,245	114,980
Cost of sales		<u>(76,445)</u>	<u>(87,673)</u>
Gross profit		39,800	27,307
Administrative expenses		<u>(13,933)</u>	<u>(14,222)</u>
Operating profit	4	25,867	13,085
Other interest receivable and similar income	5	329	216
Interest payable and similar expenses	6	<u>(574)</u>	<u>(81)</u>
Profit on ordinary activities before tax		25,622	13,220
Tax on profit on ordinary activities	10	<u>(4,977)</u>	<u>(2,126)</u>
Total comprehensive income for the financial year		<u><u>20,645</u></u>	<u><u>11,094</u></u>

The above results were derived from continuing operations.

The notes on pages 12 to 23 form an integral part of these financial statements.

Wesco Aircraft Europe Limited
(Registration number: 01857310)
Balance Sheet as at 30 September 2016

	Note	2016 £ 000	2015 £ 000
Fixed assets			
Tangible assets	11	619	512
Current assets			
Stocks	13	52,105	55,377
Debtors	14	57,501	85,213
Cash and cash equivalents	15	12,524	2,192
		122,130	142,782
Creditors: Amounts falling due within one year	16	(13,221)	(10,073)
Net current assets		108,909	132,709
Total assets less current liabilities		109,528	133,221
Capital and reserves			
Called up share capital	18	20	20
Share premium account		37,611	37,611
Profit and loss account		71,897	95,590
Total equity		109,528	133,221

Approved and authorised by the Board on 28/6/2017 and signed on its behalf by:

.....
J A Dobrucki
Director

Wesco Aircraft Europe Limited

Statement of Changes in Equity for the Year Ended 30 September 2016

	Called up share capital £ 000	Share premium account £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 October 2015	20	37,611	95,590	133,221
Total comprehensive income	-	-	20,645	20,645
Dividends	-	-	(44,308)	(44,308)
Adjustment in respect of employee share schemes	-	-	(30)	(30)
At 30 September 2016	<u>20</u>	<u>37,611</u>	<u>71,897</u>	<u>109,528</u>

	Called up share capital £ 000	Share premium account £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 October 2014	20	37,611	83,992	121,623
Total comprehensive income	-	-	11,094	11,094
Adjustment in respect of employee share schemes	-	-	504	504
At 30 September 2015	<u>20</u>	<u>37,611</u>	<u>95,590</u>	<u>133,221</u>

Wesco Aircraft Europe Limited

Notes to the Financial Statements for the Year Ended 30 September 2016

1 General information

The Company is a private company limited by share capital and incorporated in England and Wales. Details of the registered office are shown on page 1.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared on the going concern basis, using the historical cost convention, and in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006. In accordance with section 401 of the Companies Act 2006 no consolidated financial statements are presented.

Summary of disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has taken advantage of the following available exemptions:

- the requirement to prepare a statement of cash flows;
- financial instruments disclosures, including categories of financial instruments;
- the disclosure of key management remuneration in total; and
- the disclosure of share-based payment arrangements.

Group financial statements not prepared

The financial statements contain information about Wesco Aircraft Europe Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, and ultimate controlling party, Wesco Aircraft Holdings Inc., a company incorporated in the USA. These financial statements are the smallest and largest consolidated financial statements in which the Company is included, and copies may be obtained from Wesco Global Headquarters, 24911 Avenue Stanford, Valencia, CA 91355, USA.

Judgements and estimation uncertainty

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed under "Key sources of estimation uncertainty" below.

Wesco Aircraft Europe Limited

Notes to the Financial Statements for the Year Ended 30 September 2016

2 Accounting policies (continued)

Key sources of estimation uncertainty

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

Stock obsolescence

The key area of estimation uncertainty is the provision for stock obsolescence. Because of the nature of the company's products and their significant shelf lives, significant estimation is involved in assessing the recoverable amount. The directors' basis for determining the provision is in the policy set out below. The net carrying amount of stocks at the balance sheet date was £52.1m.

Revenue recognition

Turnover represents amounts receivable for goods and services net of value added tax and trade discounts. The Company 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 the Company's systems.

Foreign currency transactions and balances

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.

Tax

Current income tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

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.

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 calculated at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Wesco Aircraft Europe Limited

Notes to the Financial Statements for the Year Ended 30 September 2016

2 Accounting policies (continued)

Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
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

Investments

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stock is valued at the lower of average weighted cost and estimated selling price less costs to complete and sell. 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 Company.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

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 profit and loss 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.

Wesco Aircraft Europe Limited

Notes to the Financial Statements for the Year Ended 30 September 2016

2 Accounting policies (continued)

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

Dividends

Dividend distribution to the company's shareholders is recognised in the financial statements in the reporting period in which the dividends are paid.

Defined contribution pension obligation

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

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. The Company recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

Financial instruments

Basic financial instruments are recognised at amortised cost, except for investments in non-convertible preference and non-puttable ordinary shares which are measured at fair value, with changes recognised in profit or loss. Derivative financial instruments are initially recorded at cost and thereafter at fair value with changes recognised in profit or loss.

3 Turnover

Turnover relates wholly to the Company's principal activity. The analysis of the Company's turnover for the year by market is as follows:

	2016 £ 000	2015 £ 000
UK	32,666	29,167
Europe	62,904	60,498
North America	11,241	17,363
Rest of the world	9,434	7,952
	<u>116,245</u>	<u>114,980</u>

Wesco Aircraft Europe Limited

Notes to the Financial Statements for the Year Ended 30 September 2016

4 Operating profit

Arrived at after charging/(crediting):

	2016 £ 000	2015 £ 000
Depreciation expense	231	322
Foreign exchange (gains)/losses	(2,601)	4,671
Operating lease expense	401	323
Stock recognised as an expense	71,727	75,415
Impairment of stock	(2,000)	6,737
Impairment of trade debtors	<u>247</u>	<u>23</u>

5 Other interest receivable and similar income

	2016 £ 000	2015 £ 000
Other finance income	<u>329</u>	<u>216</u>

6 Interest payable and similar expenses

	2016 £ 000	2015 £ 000
Interest on bank overdrafts and borrowings	30	23
Interest expense on other finance liabilities	<u>544</u>	<u>58</u>
	<u>574</u>	<u>81</u>

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2016 £ 000	2015 £ 000
Wages and salaries	6,589	7,442
Social security costs	766	751
Other pension costs	<u>628</u>	<u>660</u>
	<u>7,983</u>	<u>8,853</u>

Wesco Aircraft Europe Limited

Notes to the Financial Statements for the Year Ended 30 September 2016

7 Staff costs (continued)

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

	2016 No.	2015 No.
Administration	102	98
Sales	64	66
Warehouse	61	50
	<u>227</u>	<u>214</u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2016 £ 000	2015 £ 000
Remuneration	366	484
Compensation for loss of office	-	101
Company pension contributions to money purchase schemes	85	24
	<u>451</u>	<u>609</u>

In respect of the highest paid director:

	2016 £ 000	2015 £ 000
Remuneration	-	351
Compensation for loss of office	154	101
Company contributions to money purchase pension schemes	2	15
	<u>156</u>	<u>467</u>

9 Auditors' remuneration

	2016 £ 000	2015 £ 000
Audit of the financial statements	40	58
Other assurance services	7	-
	<u>47</u>	<u>58</u>

Wesco Aircraft Europe Limited

Notes to the Financial Statements for the Year Ended 30 September 2016

10 Tax on profit on ordinary activities

Tax charged/(credited) in the income statement:

	2016 £ 000	2015 £ 000
Current taxation		
UK corporation tax	4,751	2,401
Adjustments in respect of previous years	<u>4</u>	<u>(121)</u>
	<u>4,755</u>	<u>2,280</u>
Deferred taxation		
Origination and reversal of timing differences	181	(154)
Tax rate changes	<u>41</u>	<u>-</u>
Total deferred taxation	<u>222</u>	<u>(154)</u>
Tax expense in the income statement	<u><u>4,977</u></u>	<u><u>2,126</u></u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2015 - lower than the standard rate of corporation tax in the UK) of 20% (2015 - 20.5%).

The differences are reconciled below:

	2016 £ 000	2015 £ 000
Profit on ordinary activities before tax	<u>25,622</u>	<u>13,220</u>
Corporation tax at standard rate	5,124	2,710
Expenses not deductible for tax purposes	107	5
Adjustments in respect of previous years	4	(121)
Effect of capital allowances and depreciation	173	(129)
Share options	(64)	104
Group relief	(408)	(443)
Tax rate changes	<u>41</u>	<u>-</u>
Total tax charge	<u><u>4,977</u></u>	<u><u>2,126</u></u>

Legislation to maintain the rate of corporation tax in the UK at 20% was included in the Finance Act 2015. Further legislation was introduced in the Finance Act (No2) 2015 to reduce the rate of corporation tax to 19% with effect from 1 April 2017. Further legislation was introduced in Finance Act 2016 to reduce the rate of corporation tax to 17% with effect from 1 April 2020.

Deferred tax has been provided at 20% on liabilities and assets expected to reverse within one year, and at 17% on liabilities expected to reverse after 1 April 2020.

Wesco Aircraft Europe Limited

Notes to the Financial Statements for the Year Ended 30 September 2016

10 Tax on profit on ordinary activities (continued)

Deferred tax

Deferred tax assets and liabilities

	Asset £ 000
2016	
Fixed asset timing differences	129
Short term timing differences	101
	<u>230</u>
2015	
Fixed asset timing differences	168
Short term timing differences	284
	<u>452</u>

11 Tangible assets

	Leasehold improvements £ 000	Fixtures, fittings and equipment £ 000	Motor vehicles £ 000	Plant and machinery £ 000	Total £ 000
Cost					
At 1 October 2015	1,328	752	80	1,334	3,494
Additions	95	277	-	-	372
Disposals	<u>-</u>	<u>-</u>	<u>(62)</u>	<u>-</u>	<u>(62)</u>
At 30 September 2016	<u>1,423</u>	<u>1,029</u>	<u>18</u>	<u>1,334</u>	<u>3,804</u>
Accumulated depreciation					
At 1 October 2015	1,067	618	46	1,251	2,982
Charge for the year	50	107	-	74	231
Eliminated on disposal	<u>-</u>	<u>-</u>	<u>(28)</u>	<u>-</u>	<u>(28)</u>
At 30 September 2016	<u>1,117</u>	<u>725</u>	<u>18</u>	<u>1,325</u>	<u>3,185</u>
Carrying amount					
At 30 September 2016	<u>306</u>	<u>304</u>	<u>-</u>	<u>9</u>	<u>619</u>
At 30 September 2015	<u>261</u>	<u>134</u>	<u>34</u>	<u>83</u>	<u>512</u>

Wesco Aircraft Europe Limited

Notes to the Financial Statements for the Year Ended 30 September 2016

12 Fixed asset investments

The cost and carrying value of the investments in subsidiaries was £1 (2015 - £1).

The directors believe that the carrying values are supported by underlying net assets.

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2016	2015
Subsidiary undertakings				
Interfast Europe Limited	James Cowper Kreston The White Building 1-4 Cumberland Place Southampton SO15 2NP England and Wales	Ordinary	100%	100%
Interfast USA Inc.	Wesco Aircraft Hardware Global Headquarters 24911 Avenue Stanford Valencia CA 91355 USA	Ordinary	100%	100%

The principal activity of Interfast Europe Limited is that of a dormant company.

The principal activity of Interfast USA Inc. is that of a dormant company.

13 Stocks

	2016 £ 000	2015 £ 000
Finished goods and goods for resale	<u>52,105</u>	<u>55,377</u>

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.

The cost of stocks recognised as an expense in the year amounted to £71,727,000 (2015 - £75,415,000).

Wesco Aircraft Europe Limited

Notes to the Financial Statements for the Year Ended 30 September 2016

14 Debtors

	2016 £ 000	2015 £ 000
Trade debtors	24,103	21,405
Amounts owed by group undertakings	31,811	62,140
Other debtors	452	303
Deferred tax assets	230	452
Corporation tax repayable	-	464
Prepayments and accrued income	905	449
	<u>57,501</u>	<u>85,213</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15 Cash and cash equivalents

	2016 £ 000	2015 £ 000
Cash at bank	<u>12,524</u>	<u>2,192</u>

16 Creditors

	2016 £ 000	2015 £ 000
Due within one year		
Trade creditors	7,561	5,893
Amounts owed to group undertakings	1,203	1,158
Other taxation and social security	281	639
Outstanding defined contribution pension costs	4	56
Accruals and deferred income	804	1,548
Corporation tax liability	2,526	-
Loan note to fellow subsidiary undertakings	842	779
	<u>13,221</u>	<u>10,073</u>

Amounts due to group undertakings are unsecured and repayable on demand.

At the year end there was one loan note outstanding with Wesco SF LLC, a fellow subsidiary undertaking, of £841.644 (2015 - £779.300) inclusive of accrued interest issued on 30 September 2015.

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.

Wesco Aircraft Europe Limited

Notes to the Financial Statements for the Year Ended 30 September 2016

17 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £543,000 (2015 - £636,000).

Contributions totalling £4,000 (2015 - £56,000) were payable to the scheme at the end of the year and are included in creditors.

18 Share capital

Allotted, called up and fully paid shares

	2016		2015	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>

19 Reserves

Share capital represents the number of shares issued at nominal price.

Share premium represents the difference of price paid for issued shares less nominal price.

The profit and loss account represents accumulated comprehensive income for the year and prior years, after deduction of dividends paid.

20 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2016	2015
	£ 000	£ 000
Not later than one year	459	406
Later than one year and not later than five years	1,689	1,797
Later than five years	<u>1,030</u>	<u>1,382</u>
	<u>3,178</u>	<u>3,585</u>

Wesco Aircraft Europe Limited

Notes to the Financial Statements for the Year Ended 30 September 2016

21 Dividends

	2016 £ 000	2015 £ 000
Interim dividend of £2,215.40 (2015 - £Nil) per ordinary share	<u>44,308</u>	<u>-</u>

22 Related party transactions

The Company has taken the exemption set out in FRS 102 from disclosing transactions with other members of the group.

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

Snyder Family Living Trust

The Company operates from premises which are owned by the Trust in which R Snyder, the Chairman of the Board of Directors of Wesco Aircraft Holdings Inc., has an interest. Rent payable to the Trust for the year amounted to £120,762 (2015 - £119,397). At the balance sheet date there was no balance outstanding (2015 - £Nil).

23 Transition to FRS 102

This is the first year that the Company has presented its results under FRS 102. In view of this, the financial statements for the prior year are also required to be adjusted to an FRS 102 basis and accordingly the Company is now presenting financial statements that include comparative figures prepared in accordance with FRS 102. The date of transition to FRS 102 is 1 October 2014. There were no adjustments arising from the adoption of FRS 102.