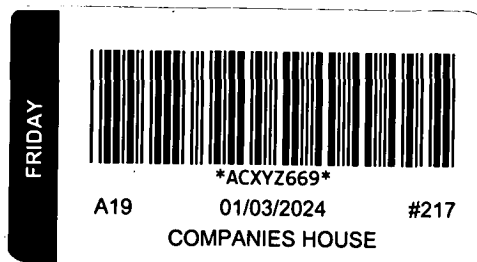


Registered number: 10131931

WESCO AIRCRAFT EMEA, LTD.

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**



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COMPANY INFORMATION

Directors	NR Austerberry (resigned 15 January 2024) M Whatling D R Landry W R Hollinshead
Company Secretary	D R Landry Z S Roberston (resigned 15 March 2022)
Registered Number	10131931
Registered Office	50 Longbridge Lane Allenton Derby Derbyshire United Kingdom DE24 8UJ
Independent Auditors	PricewaterhouseCoopers LLP Central Square 29 Wellington Street Leeds LS1 4DL

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their strategic report for the year ended 31 December 2022.

Principal activities

The principal activity of the Company is the supply of fasteners, lubricants, chemicals, composite materials, adhesives, sealants and coatings primarily to the aerospace industry.

Fair review of the business

The company generated turnover of \$178.0m (2021 - \$171.5m) and loss before taxation of \$67.8m (2021 – loss before taxation of \$16.8m). As the Company and others within the wider group filed for Chapter 11 bankruptcy in the USA, the Directors undertook impairment reviews. The loss in year is after a provision for inventory impairment of \$13.3m (2021: write back of \$11.3m due to a change in impairment calculation policy) and a provision for impairment of amounts owed by group undertakings of \$39.7m (2021: \$nil).

Net liabilities at 31 December 2022 were \$12.2m (2021 – net assets of \$54.7m).

The year to 31 December 2022 remained challenging, the Company's turnover was slower to recover following the lows of 2020 and 2021 caused by the COVID-19 pandemic and the Company continued to report losses as a result. 2022 saw an opening of the aerospace sector with greater international travel compared with the previous two years, and more people seeking international travel. However, this was hampered by the geo-political climate with the conflict in Russia and Ukraine causing rampant inflation and increased energy prices which prevented growth being as high as had originally been anticipated, and turnover increased by 4% against the cost of sales increasing by 10% which was similar to the rate of inflation during the year.

On 1 June 2023, the Company, along with other companies in the same Group, entered into Chapter 11 voluntary bankruptcy arrangement filed with the courts in Texas, USA, where the Group Head Office is located. The Company expects to exit this arrangement in the first quarter of 2024. Consequently, this triggered an impairment review of intercompany debtors, which resulted in an impairment of \$39.7m. Additionally, an impairment review of inventory was undertaken, which resulted in an additional provision for impairment of inventory of \$13.3m over the \$0.5m already charged, creating a total of \$13.8m (refer to notes 2.12 and 4).

The Company focuses on the C-class segment of the aerospace market, specialising in parts for civil and defence aircraft engines, and other aircraft mechanical systems (e.g., landing gears). Our services offering includes sourcing, procurement, warehousing, product movement and other bespoke services based on customer-specific requirements.

We source and procure parts ranging from fasteners (nuts and bolts, often made to an industry standard) to highly bespoke fabrications (e.g., certain springs, seals, bearings). We use our expertise to reduce the 'long tail' of suppliers inevitably created during the production process, as well as offering our customers the ability to source and procure more effectively than they can on their own. Working with many customers gives us significant purchasing power with which to negotiate prices with suppliers. The company continues to take more advantage of this, and our professional and strategic buying team, looking at the whole supply chain over the short, medium and long term, consistently strives to create significant value for us and our customers.

Future Outlook

The outlook for 2024 is brighter, with the post pandemic recovery progress started in the latter part of 2022, continuing through 2023, including the vaccine programs and planes starting to return to the sky, with the Company planning to further reduce the losses across 2021 and 2022 years. Additionally, the Company expects to emerge from Chapter 11 in quarter 1 of 2024, with a number of newly negotiated contracts at both ends of the supply chain which is expected to generate increased revenue. The directors' believe the Company is reasonably positioned to grow going forward with its existing customer base.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

Key performance indicators

The directors consider the following KPIs to be the principal measures of performance in relation to the Company. These KPIs are reviewed on an ongoing basis by the directors.

		Year Ended 31 December 2022	Year Ended 31 December 2021
Turnover	As per statement of comprehensive income	\$178.0m	\$171.5m
Gross Margin % (excl impairment)	Gross profit divided by turnover – excluding one off inventory impairment	11.79%	16.47%
Gross Margin %	Gross profit divided by turnover	4.29%	16.47%
Operating (loss) % (excl. impairments)	Operating loss less impairment of intercompany debt, and one off inventory impairment, divided by turnover	(6.99%)	(8.44%)
Operating (loss) %	Operating loss divided by turnover	(36.80%)	(8.44%)

Turnover was marginally higher by 4% in 2022, with a lower gross margin percentage attributable to the high rate of inflation in the supply chain due to the geo-political climate with Russia and Ukraine. When excluding the intercompany debt impairment, the operating loss percentage reduced, showing a clear improvement.

Principal risks and uncertainties

Principal risks and uncertainties affecting the company are as follows:

Loss of a major customer and contract compliance

The Incora Group deals with a number of significant customers on a global scale and has dedicated teams who work on key customers to ensure quality of service and maintain “partnerships” with these customers. We work closely with all our customers to ensure that we meet the service requirements and needs of these customers and hence to ensure contractual compliance.

Competition

We operate in a competitive environment and compete with our key competitors in relation to quality of service, product offering and price in relation to both our existing customer base and new tenders. We actively look to maximise our service offerings, whilst ensuring our prices remain competitive.

Stock holding and availability

Availability of product, and hence the ability to service our customers, remains a key focus of the group, and hence we work closely with our suppliers to ensure the required stock availability, whilst holding appropriate safety stock levels to mitigate the risk of not having stock available, in the current period, and post year end, supply chain risk has been a critical area.

General economic conditions

We conduct our business internationally, including exporting our products to a number of emerging markets. As a result, our business is subject to risks related to the differing legal, political, social and regulatory requirements and economic conditions of many jurisdictions. Where we move into a new territory, we work closely with local advisors to understand the local laws and regulations.

Inflation

The disruptions to global supply chains, combined with the current geo-political climate with the conflict between Russia and Ukraine which started in 2022 have contributed to pushing up costs across both inventory purchases and overhead expenditure. The Company had worked with all parts of the supply chain to manage these cost increases and ultimately renegotiating a number of contracts and passing costs to the end user.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Directors' statement of compliance with duty to promote the success of the Company

Directors of the Company, as those of all UK Companies, must act in accordance with a set of general duties. These duties are detailed in section 172(1) of the UK Companies Act 2006 which is summarised as follows: 'a director of a company must act in a what they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long term;
- the interest of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between shareholders of the Company.

It is important to recognise that in large organisations such as ours, the Directors fulfil their duties partly through a governance framework that delegates day to day decision making to employees of the Company. The following paragraph summarises how the Directors fulfil their duties:

Our strategy and consideration of consequences of decisions for long term

As directors of the Company, we provide overall risk oversight, with a focus on the most significant risks facing our Company. In addition, we are responsible for ensuring overall crisis management and business continuity plans are in place. Together with senior management, we frequently discuss the Company's business strategy, operations, policies, controls and current and potential risks. These discussions include approaches for assessing, monitoring and controlling risk exposure.

Our values and cultures

The Incora Group is dedicated to conducting its business consistent with the highest standards of business ethics. We have an obligation to our employees, shareholders, customers, suppliers, community representatives and other business contacts to be honest, fair and forthright in all of our business activities.

Our Code of Business Conduct and Ethics is a comprehensive blueprint of Incora's business standards and applies to all our directors, officers and employees. It underpins our commitment to do business the right way and covers anti-corruption, antitrust and fair competition, data protection, employment practices and trade compliance. We have a dedicated Ethics Helpline that is available to employees at all times.

Our employees

We recognise the importance of good communications and relations with employees. We continue to encourage and increase employee participation and involvement in matters which affect their interests. We provide updates to employees on development within the Company on a regular basis.

Business relationships

Our diverse, global customer base and supplier base includes some of the largest blue-chip multinationals in the aerospace sector. We value our customers and suppliers and have long term standing relationships with both our customers and our suppliers. We have dedicated customer and supplier account managers who manage and safeguard the interests of ourselves, our customers and our suppliers.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Community and environment

We are committed to the protection of the environment. We use our Environmental Management System to not only ensure compliance with environmental legislation and regulations, but also to achieve our objectives and goals with continual improvements in environmental performance and reduced environmental waste through recycling and reusing by-products and waste.

Fair review of the business

A review of the business is discussed in the directors' report on page 2.

This report was approved by the board on 1 March 2024 and signed on its behalf



Mark Whatling
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The Directors present their report and the audited financial statements for the year ended 31 December 2022.

Results and dividends

The loss for the year, after taxation, amounted to \$66,868,000 (2021: loss of \$16,724,000).

The Directors do not recommend the payment of a final dividend (2021: \$nil).

Directors

The Directors who served during the year and up to the date of signing were:

N R Austerberry (resigned 15 January 2024)
M Whatling
D R Landry
W R Hollinshead

Financial Risk Management

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. Please refer to the Fair Review of the business on page 2 and the Voluntary Petition for Bankruptcy on pages 9 and 10..

Liquidity risk

Further details are provided in the liquidity and capital resources section below on page 8.

Credit risk

Credit risk arises from cash and cash equivalents, and deposits with bank and financial instruments. 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 .

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 Company has mitigated risk by maintaining foreign currency bank accounts.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Employee Engagement Statement

The Company is an equal opportunity employer and fully committed to treating all its employees and job applicants fairly and equally, regardless of whether or not they have a disability. The Company abides by current legislation in its recruitment and employment practices and where required makes necessary reasonable adjustments.

The Company takes all reasonable steps through its resourcing, recruitment and employment practices and trains and promotes employees on the basis of their experience, abilities and qualifications without regard to disability. The Company also takes all reasonable steps to provide an accessible work environment where all employees are treated with respect and dignity and one that is free of harassment of any kind. The Company does not condone any form of harassment on the grounds of disability, whether engaged in by employees or by outside third parties who do business with the Company, such as contractors, suppliers, clients or customers.

The company provides employees systematically with info on matters of concern to them as employees by:

- consulting employees on a regular basis so their views are taken into account in making decisions;
- encouraging involvement of employees; and
- achieving common awareness of all employees in relation to financial and economic factors that affect the performance of the company.

Branches outside the United Kingdom

The Company operates four branches in France, Italy, Germany and India (2021: France, Italy, Germany and India). These branches form part of the financial results within these statements.

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 is in force at the date of signing the financial statements and has been in force throughout the current reporting period. The Company also purchased and maintained throughout the last financial period Directors' and Officers' liability insurance in respect of itself and its Directors.

Strategic report

In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, the Company has prepared a Strategic Report, which includes information that would have previously been included in the Directors' Report.

Streamlined Energy and Carbon Reporting

In line with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 our energy use and greenhouse gas (GHG) emissions are set out below. The data relates to UK emissions for the period from 1 January 2022 to 31 December 2022. This period is in line with the Strategic Report and Financial Statements.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Energy Use and Associated Greenhouse Gas Emissions

	2022	2021
Total energy consumption	3,588,690 kWh	4,739,262 kWh
Emissions from combustion of gas	346 tCO ₂ e	510 tCO ₂ e
Emissions from purchased electricity	327 tCO ₂ e	415 tCO ₂ e
Total gross emissions	674 tCO ₂ e	925 tCO ₂ e
Intensity ratio per full time employee	13,390 kWh	15,957 kWh

There has been a considerable reduction in 2022 when compared with 2021 due to vacating a number of rented properties in early 2022 for which the company was liable.

Quantification and Reporting Methodology :

We report our emissions with reference to the latest Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (GHG Protocol). The 2019 UK Government GHG Conversion Factors for Company Reporting published by the UK Department for Business, Energy & Industrial Strategy (DBEIS) are used to convert energy use in our operations to emissions of CO₂e. Carbon emission factors for purchased electricity calculated according to the location-based grid average' method. This reflects the average emission of the grid where the energy consumption occurs. Data sources include billing, invoices and the Company's internal systems. For transport data actual usage data (e.g. litres) was utilised.

Energy Efficiency Action:

Incora Group are committed to ensuring a safe and healthy workplace for our employees and one that minimises our impact and protects the environment. We will demonstrate this commitment through:

- Minimising the environmental impact of our activities by maintaining an environmental management system ;
- Meeting or exceeding our compliance obligations as applicable to our environmental aspects;
- Identifying and preventing or minimising pollution within our scope of activity;
- Supporting initiatives and programmes aimed at improving awareness of sustainability;
- Continuing to work in partnership with the community and other stakeholders to improve the local environment and ensure that our operations do not have a detrimental effect on that community, and
- Continually seeking ways to improve our environmental performance.

Liquidity and capital resources

The Wesco Group's primary sources of liquidity has been from cash flow from operations, available borrowings under an Asset Backed Lending ("ABL") credit facility, and debt financings. Wesco continues to implement various cost reduction measures and initiatives to accelerate the reduction in working capital to enhance liquidity.

Wesco had total available cash and cash equivalents of \$162 million as at 31 January 2024 and was not permitted to make further immediate borrowings under the ABL facility, which accelerated automatically upon the filing of the Wesco Group's chapter 11 cases (described below). All of Wesco's cash and cash equivalents were non-restricted and all of the foreign cash and cash equivalents are readily convertible into U.S. dollars or other foreign currencies.

Due to fluctuations in Wesco's cash flows, including for investment in working capital to fund growth in operations, it is necessary from time to time to borrow under the revolving facility to meet cash demands.

On 31 January 2024, total borrowing under the ABL facility was \$422million with \$1.7million in letters of credit outstanding.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Voluntary Petition for Bankruptcy

The COVID-19 health crisis posed significant and widespread risks to our global business as well as to the business environment and the markets in which we operate. All Wesco Aircraft Holdings Inc. subsidiaries, including Wesco Aircraft EMEA Limited are directly and indirectly funded by a US parent company, Wesco Aircraft Holdings Inc. ("Wesco" and, together with its subsidiaries, "Group") through intercompany arrangements which are repayable on demand. No significant cash or external borrowings are held in the UK.

On 1 June 2023, Wesco and forty-three of its subsidiaries and affiliates (collectively, the "Debtors"), including all UK group companies, filed voluntary petitions for relief under title 11 of the U.S. Code (the "Bankruptcy Code"). These cases remain pending and are jointly administered under Case No. 23-90611 (MI) before the U.S. Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court"). The Debtors include each of the obligors under the Group's notes and ABL facility. A plan of reorganisation has been proposed and the confirmation objection deadline is 5 March 2024, subject to further extension. In the event this plan of reorganisation is not approved, a further plan will be developed and put to the obligors under the Group's notes and ABL facility.

In 2022, Wesco consummated a series of transactions with certain holders of the Pre-Recapitalisation Notes (the "Participating Holders") to issue new 2026 and 2027 notes, amend the terms governing the Pre-Recapitalisation Notes, and exchange the Participating Holders' Pre-Recapitalisation Notes for the new senior secured notes due in 2026 and 2027.

In June 2023, Wesco received interim approval from the Bankruptcy Court to access a debtor-in-possession ("DIP") financing in the initial amount of \$110 million, consisting of notes due 1 March 2024. In July 2023, Wesco received final approval from the Bankruptcy Court to borrow an incremental amount of \$190 million under the DIP financing. This provided sufficient short-term liquidity for the Group and Company to meet their obligations, including post-petition obligations to vendors and suppliers, as well as employee wages, salaries and benefits programmes.

On 31 January 2024, Incora had drawn down all available funds under the DIP financing.

The DIP financing is currently due to mature on 1 April 2024, with the option to extend with the Bankruptcy Court's approval if progress is made in achieving approval for a plan of reorganization. If the Bankruptcy Court's judgment is that sufficient progress is not being made, then there is a risk that the DIP financing is not extended in which case alternative financing would need to be obtained, which is not assured, or otherwise the Group may need to be liquidated. Based on discussions with the lenders and legal representatives, the Directors' expectation is that the DIP financing will be extended to enable approval for the plan of reorganisation to be achieved. However, as highlighted below, there is a material uncertainty as to the ability of the Wesco Group and the Company to secure further funding following the maturity of the DIP financing.

The Group and its subsidiaries are continuing to operate as business as usual and are expected to continue doing so during the Chapter 11 process. For the duration of the Chapter 11 process and the period following the expected exit from Chapter 11, the Group and Company operations, ability to develop and execute its business plan, as well as its continuation as a going concern are subject to risks and uncertainties associated with the Chapter 11 process.

The Group's results and their ability to continue as a going concern depend on developments in the Chapter 11 proceedings. Since the plan of reorganisation has yet to be approved, a situation may arise whereby the Company may not be able to continue into the foreseeable future. These risks include the following:

- The Group's ability to confirm and consummate a plan of reorganisation which, if unsuccessful, may delay or impede the Group's and Company's ability to emerge from the Chapter 11 cases;
- The significant administrative costs of bankruptcy proceedings and related fees;
- The actions and decisions of the Group's and Company's creditors and other third parties who have interests in the Chapter 11 process that may be inconsistent with the Group's plans which might have a disruptive influence on the Chapter 11 process;

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Voluntary Petition for Bankruptcy (continued)

- The Group's ability to obtain sufficient financing to allow it to emerge from bankruptcy (which is subject to negotiations with lenders), and such financing remaining available and sufficient to support the Group and Company to be able to execute its business plan post emergence and post maturity of the DIP facility;
- The Group's ability to obtain requisite consents to extend the maturity of the DIP facility beyond 1 April 2024;
- The Company's ability to obtain sufficient financing from the Group to enable it to meet its obligations as they fall due;
- The Group's and Company's ability to maintain relationships with customers, suppliers, employees and other third parties, and
- The Group's and Company's ability to maintain contracts that are critical to its operations.

As a result of the risks and uncertainties associated with the Chapter 11 process, the Directors cannot accurately predict or quantify the ultimate impact that events that occur during or as a result of the Chapter 11 process will have on the Group's business, financial condition, results of operations and cash flows. Moreover, the outcome of the Chapter 11 process is dependent upon factors that are outside of the Group's control, including actions of the Court and the Group's creditors.

These circumstances indicate the existence of a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Company were unable to continue as a going concern.

Conclusion

The Directors have updated their assessment of going concern to reflect these matters and are satisfied that it remains appropriate to prepare the Company's financial statements on a going concern basis. The Directors consider that the most likely resolution to the Chapter 11 process is the approval of a plan of reorganisation, following an extension of the maturity date of the DIP facility. The Company considers the risks that (a) an extension of DIP funding is not obtained and/or (b) a plan of reorganisation is not confirmed and implemented to be low.

However, the matters outlined above represent material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business.

Post Balance Sheet Events

As detailed above, on 1 June 2023, the Company, along with other companies in the same Group, entered into Chapter 11 voluntary bankruptcy arrangement filed with the courts in Texas, USA, where the Group Head Office is situated. The Company expects to exit these arrangements in the first quarter of 2024.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the board on 1 March 2024 and signed on its behalf.



Mark Whatling
Director

DIRECTORS RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are also 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.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The report was approved by the Board on 1 March 2024 and signed on its behalf.



Mark Whatling
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WESCO AIRCRAFT EMEA, LTD

Report on the audit of the financial statements

Opinion

In our opinion, Wesco Aircraft EMEA, Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2022; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2.5 to the financial statements concerning the company's ability to continue as a going concern. On 1 June 2023, Wesco Aircraft EMEA, Ltd and forty-three of its affiliates (collectively, the "Debtors"), inclusive of all UK companies, filed voluntary petitions for relief under title 11 of the U.S. Code (the "Bankruptcy Code"). There are significant uncertainties inherent in the bankruptcy process. As a result of the risks and uncertainties associated with the Chapter 11 Cases, the Directors cannot accurately predict or quantify the ultimate impact that events that occur during or as a result of the Chapter 11 Cases will have on the Company's business, financial condition, results of operations and cash flows. Moreover, the outcome of the Chapter 11 Cases is dependent upon factors that are outside of the Company's control, including actions of the Court and the creditors. In addition, there is a theoretical risk that the Debtors do not emerge from Chapter 11 or does so in a way that adversely affects the Company. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WESCO AIRCRAFT EMEA, LTD
(CONTINUED)**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WESCO AIRCRAFT EMEA, LTD
(CONTINUED)**

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety legislation and employment law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting journals entries to manipulate financial performance and management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions. Audit procedures performed by the engagement team included:

- discussion with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws, regulations and fraud;
- testing accounting estimates, particularly in relation to inventory obsolescence and the recoverability of amounts owed by group undertakings, that we deemed to present a risk of material misstatement, including assessing the data, methods and assumptions applied by management for each estimate;
- evaluation of management's controls designed to prevent and detect fraudulent financial reporting;
- identifying and testing journal entries using a risk-based approach for unexpected account combinations particularly in relation to unexpected revenue transactions; and
- reviewing financial statement disclosures and testing to support documentation, where appropriate, to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WESCO AIRCRAFT EMEA, LTD
(CONTINUED)

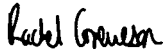
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Rachel Greveson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

1 March 2024

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	31 December 2022 \$000	31 December 2021 \$000
Turnover	3	177,954	171,488
Cost of sales		<u>(170,319)</u>	<u>(143,240)</u>
Gross profit		7,635	28,248
Administrative expenses - recurring		(33,429)	(42,370)
Administrative expenses – non-recurring		(39,692)	-
Total Administrative expenses		<u>(73,121)</u>	<u>(42,370)</u>
Operating loss	4	(65,486)	(14,482)
Interest receivable and similar income	8	119	120
Interest payable and similar expenses	9	<u>(2,410)</u>	<u>(2,473)</u>
Loss before taxation		(67,777)	(16,835)
Taxation on loss	10	<u>909</u>	<u>111</u>
Loss for the financial year		(66,868)	(16,724)
Total comprehensive expense for the year		(66,868)	(16,724)

The notes on pages 19 to 36 form part of these financial statements.

The above results were derived from continuing operations.

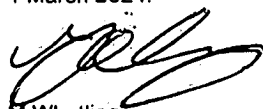
**BALANCE SHEET
AS AT 31 DECEMBER 2022**

	Note	As at 31 December 2022 \$000	As at 31 December 2021 \$000
Fixed assets			
Intangible assets	12	507	58
Tangible assets	13	5,809	7,200
		<u>6,316</u>	<u>7,258</u>
Current assets			
Stocks	14	90,189	108,794
Debtors: amount due within 1 year	15	72,031	103,352
Cash at bank and in hand	16	7,230	6,243
		<u>169,450</u>	<u>218,389</u>
Creditors: amounts falling due within one year	17	<u>(187,978)</u>	<u>(170,991)</u>
Net current (liabilities) / assets		<u>(18,528)</u>	<u>47,398</u>
Total assets less current liabilities		<u>(12,212)</u>	<u>54,656</u>
Net (liabilities) / assets		<u>(12,212)</u>	<u>54,656</u>
Capital and Reserves			
Called Up Share Capital	19	-	-
(Accumulated deficit) / Retained Earnings	20	<u>(12,212)</u>	<u>54,656</u>
Total Equity		<u>(12,212)</u>	<u>54,656</u>

The notes on pages 19 to 36 form part of these financial statements.

The registered company number is 10131931.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1 March 2024.


M Whatling
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital \$000	Retained earnings \$000	Total Equity \$000
At January 2021	-	71,380	71,380
Comprehensive expense for the year			
Loss for the year	-	(16,724)	(16,724)
Total comprehensive expense for the year	-	(16,724)	(16,724)
At 31 December 2021	-	54,656	54,656
At January 2022	-	54,656	54,656
Comprehensive expense for the year			
Loss for the year	-	(66,868)	(66,868)
Total comprehensive expense for the year	-	(66,868)	(66,868)
At 31 December 2022	-	(12,212)	(12,212)

The notes on pages 19 to 36 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. General information

The Company is a private company limited by share capital incorporated in the United Kingdom. Company information details are shown on page 1.

2. Accounting policies

2.1 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 periods presented, unless otherwise stated.

2.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. In the opinion of the Directors there were no critical estimates and judgements involved in the preparation of the financial statements.

The functional currency of the Company is USD as it is part of a Group of Companies with the head office based in Texas in the USA.

2.3 Summary of disclosure exemptions

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

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

2.4 Liquidity and Capital Resources

The Wesco Group's primary sources of liquidity has been from cash flow from operations, available borrowings under an Asset Backed Lending ("ABL") credit facility, and debt financings. Wesco continues to implement various cost reduction measures and initiatives to accelerate the reduction in working capital to enhance liquidity.

Wesco had total available cash and cash equivalents of \$162 million as at 31 January 2024 and was not permitted to make further immediate borrowings under the ABL facility, which accelerated automatically upon the filing of the Wesco Group's chapter 11 cases (described below). All of Wesco's cash and cash equivalents were non-restricted and all of the foreign cash and cash equivalents are readily convertible into U.S. dollars or other foreign currencies.

Due to fluctuations in Wesco's cash flows, including for investment in working capital to fund growth in operations, it is necessary from time to time to borrow under the revolving facility to meet cash demands.

On 31 January 2024, total borrowing under the ABL facility was \$422 million with \$1.7 million in letters of credit outstanding.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting Policies (continued)

2.5 Voluntary Petition for Bankruptcy

The COVID-19 health crisis posed significant and widespread risks to our global business as well as to the business environment and the markets in which we operate. All Wesco Aircraft Holdings Inc. subsidiaries, including Wesco Aircraft EMEA Limited are directly and indirectly funded by a US parent company, Wesco Aircraft Holdings Inc. ("Wesco" and, together with its subsidiaries, "Group") through intercompany arrangements which are repayable on demand. No significant cash or external borrowings are held in the UK.

On 1 June 2023, Wesco and forty-three of its subsidiaries and affiliates (collectively, the "Debtors"), including all UK group companies, filed voluntary petitions for relief under title 11 of the U.S. Code (the "Bankruptcy Code").

These cases remain pending and are jointly administered under Case No. 23-90611 (MI) before the U.S. Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court"). The Debtors include each of the obligors under the Group's notes and ABL facility. A plan of reorganisation has been proposed and the confirmation objection deadline is 5 March 2024, subject to further extension. In the event this plan of reorganisation is not approved, a further plan will be developed and put to the obligors under the Group's notes and ABL facility.

In 2022, Wesco consummated a series of transactions with certain holders of the Pre-Recapitalisation Notes (the "Participating Holders") to issue new 2026 and 2027 notes, amend the terms governing the Pre-Recapitalisation Notes, and exchange the Participating Holders' Pre-Recapitalisation Notes for the new senior secured notes due in 2026 and 2027.

In June 2023, Wesco received interim approval from the Bankruptcy Court to access a debtor-in-possession ("DIP") financing in the initial amount of \$110 million, consisting of notes due 1 March 2024. In July 2023, Wesco received final approval from the Bankruptcy Court to borrow an incremental amount of \$190 million under the DIP financing. This provided sufficient short-term liquidity for the Group and Company to meet their obligations, including post-petition obligations to vendors and suppliers, as well as employee wages, salaries and benefits programmes.

On 31 January 2024, Incora had drawn down all available funds under the DIP financing.

The DIP financing is currently due to mature on 1 April 2024, with the option to extend with the Bankruptcy Court's approval if progress is made in achieving approval for a plan of reorganization. If the Bankruptcy Court's judgment is that sufficient progress is not being made, then there is a risk that the DIP financing is not extended in which case alternative financing would need to be obtained, which is not assured, or otherwise the Group may need to be liquidated. Based on discussions with the lenders and legal representatives, the Directors' expectation is that the DIP financing will be extended to enable approval for the plan of reorganisation to be achieved. However, as highlighted below, there is a material uncertainty as to the ability of the Wesco Group and the Company to secure further funding following the maturity of the DIP financing.

The Group and its subsidiaries are continuing to operate as business as usual and are expected to continue doing so during the Chapter 11 process. For the duration of the Chapter 11 process and the period following the expected exit from Chapter 11, the Group and Company operations, ability to develop and execute its business plan, as well as its continuation as a going concern are subject to risks and uncertainties associated with the Chapter 11 process.

The Group's results and their ability to continue as a going concern depend on developments in the Chapter 11 proceedings. Since the plan of reorganisation has yet to be approved, a situation may arise whereby the Company may not be able to continue into the foreseeable future. These risks include the following:

- The Group's ability to confirm and consummate a plan of reorganisation which, if unsuccessful, may delay or impede the Group's and Company's ability to emerge from the Chapter 11 cases;

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

2 Accounting Policies (continued)

2.5 Voluntary Petition for Bankruptcy (continued)

- The significant administrative costs of bankruptcy proceedings and related fees;
- The actions and decisions of the Group's and Company's creditors and other third parties who have interests in the Chapter 11 process that may be inconsistent with the Group's plans which might have a disruptive influence on the Chapter 11 process;
- The Group's ability to obtain sufficient financing to allow it to emerge from bankruptcy (which is subject to negotiations with lenders), and such financing remaining available and sufficient to support the Group and Company to be able to execute its business plan post emergence and post maturity of the DIP facility;
- The Group's ability to obtain requisite consents to extend the maturity of the DIP facility beyond 1 April 2024;
- The Company's ability to obtain sufficient financing from the Group to enable it to meet its obligations as they fall due;
- The Group's and Company's ability to maintain relationships with customers, suppliers, employees and other third parties, and
- The Group's and Company's ability to maintain contracts that are critical to its operations.

As a result of the risks and uncertainties associated with the Chapter 11 process, the Directors cannot accurately predict or quantify the ultimate impact that events that occur during or as a result of the Chapter 11 process will have on the Group's business, financial condition, results of operations and cash flows. Moreover, the outcome of the Chapter 11 process is dependent upon factors that are outside of the Group's control, including actions of the Court and the Group's creditors.

These circumstances indicate the existence of a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Company were unable to continue as a going concern.

Conclusion

The Directors have updated their assessment of going concern to reflect these matters and are satisfied that it remains appropriate to prepare the Company's financial statements on a going concern basis. The Directors consider that the most likely resolution to the Chapter 11 process is the approval of a plan of reorganisation, following an extension of the maturity date of the DIP facility. The Company considers the risks that (a) an extension of DIP funding is not obtained and/or (b) a plan of reorganisation is not confirmed and implemented to be low.

However, the matters outlined above represent material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business.

2.6 Turnover Recognition

Turnover represents amounts receivable for goods and services net of value added tax and trade discounts. The Company recognises revenue when the goods have been dispatched and received by the customer in line with contracted Incoterms that are quoted on shipping documentation and recorded in the Company's systems.

2.7 Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

2 Accounting Policies (continued)

2.7 Foreign currency transactions and balances (continued)

on the initial transaction dates.

Foreign exchange gains and losses are recognised as an administrative expense due to the nature of being based in the UK, operating across the UK and Europe and the functional currency being in USD.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

The financial statements are presented in US Dollars, which is also the Company's functional currency.

2.8 Taxation

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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 is 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.

2.9 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Goodwill	Straight line over 16 years
Computer software	Straight live over 5 years
Customer contracts	Straight live over 3 years

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting Policies (continued)

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Long-term leasehold land and buildings	Over the life of the lease
Fixtures and fittings	3-5 years straight line
Other tangible assets	3-5 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in statement of comprehensive income.

2.11 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.12 Stocks

Hardware stock is valued at the lower of average weighted cost and estimated selling price less costs to complete and sell. Wesco values hardware stock using moving average weighted cost calculated by dividing the total cost of goods available for sale by the total number available for sale. Chemical stocks are valued at actual purchase cost on a first-in first-out basis.

Provision against obsolescence is calculated for hardware stocks 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 write down from the date goods were brought into the Company. Provision against obsolescence of chemical stocks is calculated with reference to the product's shelf life.

During the year ended 31 December 2021 the accounting estimate in relation to the inventory provision was revised. Whilst historically it only considered the age of the inventory it was considered more accurate to incorporate future sales expectations into the forecast of obsolescence. As a result of this change some inventory that had historically been provided for no longer required provision. As a result of this change in estimate \$8m of provision was released.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting Policies (continued)

2.12 Stocks (continued)

This inventory provision process continued through 2022. However, as noted in Accounting Policy 2.5 Voluntary petition for Bankruptcy which occurred after the reporting year, this triggered an impairment review across all areas, including stock. This resulted in an additional inventory provision of \$13.3m above the additional in year calculation of \$0.5m for 2022.

2.13 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any 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.

2.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.15 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.16 Lease 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.

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

2 Accounting Policies (continued)

2.18 Financial instruments

The Company applies FRS 102 chapters 11 and 12 in respect of financial instruments. Financial instruments are classified and accounted for as financial assets, financial liabilities or equity instruments, according to the substance of the contractual agreement. Equity instruments are those that entitle the holder to a residual interest in the company's assets after deducting all of its liabilities.

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

2.19 Interest receivable and payable

Interest payable and similar charges includes interest payable on financing activities that are recognised in the statement of comprehensive income.

Interest receivable and similar income includes interest receivable on funds invested on financing activities.

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

2.20 Share Capital

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

2.21 Dividends

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

2.22 Defined contribution pension obligation

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

2.23 Judgements

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.

Where a material one-off item has been incurred during the reporting year, which is rare and not expected to recur, these costs are presented as non-recurring to distinguish from normal trade.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting Policies (continued)**2.24 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 above. The net carrying amount of stocks at the balance sheet date is shown in Note 14.

Recoverability of Intercompany debt

A key area of estimation uncertainty is in relation to the carrying value of the intercompany debt as a result of a number of companies in the Group entering Chapter 11 voluntary bankruptcy arrangement on 1 June 2023. The Company has undertaken an impairment review, and also considered that offset of debt against liability is not common outside of the UK. Given the uncertainty of recoverability and emergence from Chapter 11 arrangement, a full impairment of significant intercompany debtors was established during the year.

3 Turnover

Analysis of turnover by class of business is as follows:

	Year to 31 December 2022 \$000	Year to 31 December 2021 \$000
Sale of goods	168,910	162,624
Service income	9,044	8,864
	<u>177,954</u>	<u>171,488</u>

Analysis of turnover by country of destination:

	Year to 31 December 2022 \$000	Year to 31 December 2021 \$000
United Kingdom	72,853	68,454
Rest of Europe	91,537	93,337
Rest of the world	12,969	8,688
North America	595	1,009
	<u>177,954</u>	<u>171,488</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

4 Operating Loss

The operating loss is stated after charging / (crediting):

Administrative Expenses - Recurring	Year to 31 December 2022 \$000	Year to 31 December 2021 \$000
Depreciation expense	2,626	1,741
Amortisation expense	58	1,899
Impairment of intangible assets	-	8,621
Foreign exchange losses	1,576	2,070
Defined contribution pension cost	1,129	1,105
Operating lease expense – plant and machinery	53	48
Operating lease expense – other	1,987	1,005
Cost of stock recognized as an expense	156,297	137,926
Impairment of trade debtors	286	655
Impairment of stock	673	5,311
Change / (release) of inventory provision	13,798	(11,324)
	<hr/>	<hr/>
Administrative expenses – non-recurring		
Impairment of amounts owed by group undertakings	39,692	-
	<hr/>	<hr/>

Impairment reviews

Impairment reviews were triggered as a result of entering into Chapter 11, as noted in the Strategic Report. This led to significant and non-recurring provisions for impairments of amounts owed by group undertakings of \$39.7m. There was also an additional impairment to stock held of \$13.3m, making the total inventory impairment in year to be \$13.8m for 2022. Further information can be found in Accounting Policies note 2.12.

5 Auditors Remuneration

Fees payable to the Company's auditors and its associates for the audit of the Company's financial statements during the year was £251,925 converted to \$296,000 (2021: \$231,000).

Fees payable to the Company's auditors and its associates for the audit of associated group entities was £32,000 converted to \$38,725 (2021: \$63,000).

There were no non-audit services provided by the auditors for the financial year (2021: \$nil)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

6 Staff costs

Staff costs were as follows:

	Year to 31 December 2022 \$000	Year to 31 December 2021 \$000
Wages and salaries	14,452	14,759
Social security costs	1,561	1,511
Other pension costs	1,129	1,105
	<u>17,142</u>	<u>17,375</u>

The average monthly number of employees during the year was as follows:

	Year to 31 December 2022 No.	Year to 31 December 2021 No.
Administration	80	94
Sales	91	99
Warehouse	97	104
	<u>268</u>	<u>297</u>

The above table shows a headcount reduction of 9.8%, yet an overall salary cost reduction of 1.3% with wages and salaries only decreasing by 2.0%, as social security costs increased due to changes in the UK Government's tax policy. The salary costs did not decrease by the same rate as the headcount due to salary increases during the year, and the mix of levels of staff leaving the company.

7 Directors Remuneration

The directors of the Company, also deemed to be key management personnel, were paid through a sister company, Pattonair (Derby) Limited.

There is no recharge made to the company for this. The directors of Wesco Aircraft International Holdings Limited are all directors of a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their remuneration in respect of each of the subsidiaries. Accordingly, the above details include no remuneration in respect of the directors.

As the company does not pay any directors, there is no highest paid director salary for comparison. (2021: nil).

There were no contributions paid to money purchase pension schemes in the year (2021: nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

8 Interest receivable and similar income

	Year to 31 December 2022 \$000	Year to 31 December 2021 \$000
Interest receivable on group undertakings	119	120
	<u>119</u>	<u>120</u>

9 Interest payable and similar expenses

	Year to 31 December 2022 \$000	Year to 31 December 2021 \$000
Interest on bank overdrafts and borrowings	-	60
Interest on intercompany loans	2,410	2,413
	<u>2,410</u>	<u>2,473</u>

10 Taxation on loss

	Year to 31 December 2022 \$000	Year to 31 December 2021 \$000
Corporation tax		
Current tax on profits / (loss) for the year	-	-
Adjustments in respect of previous periods	(523)	-
Total current tax	<u>(523)</u>	<u>-</u>
Deferred Tax		
Arising from origination and reversal of timing differences	606	1,993
Arising from changes to tax rates	(788)	(2,208)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(204)	104
Total deferred tax	<u>(386)</u>	<u>(111)</u>
Tax on loss	<u>(909)</u>	<u>(111)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

10. Taxation on loss (continued)

Factors affecting tax charge for the year:

The tax assessed for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	Year to 31 December 2022 \$000	Year to 31 December 2021 \$000
Loss before taxation	(67,777)	(16,835)
Loss before taxation on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	(12,878)	(3,199)
Effects of:		
Effect of expense not deductible in determining taxable profit (tax loss)	7,644	2,035
Group relief not paid for	2,737	-
Adjustment in respect of prior periods	(727)	104
Deferred tax credit relating to changes in tax rates or laws	(788)	(2,208)
Unrecognised deferred tax on losses	3,103	3,157
Total tax credit for the year	(909)	(111)

The standard rate of tax applied to reported profit on ordinary activities is 19% (2021: 19%). The March 2021 Budget announced an increase in corporation tax rate to 25% from 1 April 2023 which was substantively enacted in Finance Act 2021 on 24 May 2021. The Company's deferred tax balances are measured using the corporation tax rates that have been enacted or substantively enacted at the statement of financial position date, based on the periods in which the temporary differences are forecast to reverse (19% for deferred tax expected to reverse before 1 April 2023, and 25% for deferred tax expected to reverse on or after 1 April 2023). During the year beginning 1 January 2023, the net reversal of deferred tax assets and liabilities is expected to be £nil.

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

11. Deferred taxation

	2022	2021
	\$000	\$000
At beginning of year	288	177
Charged to statement of comprehensive income	386	111
At end of year	<u>674</u>	<u>288</u>

The deferred tax asset is made up as follows:

	2022	2021
	\$000	\$000
Fixed asset timing differences	650	243
Short term timing differences	24	45
	<u>674</u>	<u>288</u>

There is an unrecognised deferred tax asset of \$10,291,000 in relation to unutilised tax losses. (2021 - unrecognised deferred tax asset was \$8,912,000 of which \$7,491,000 was in relation to unutilised tax losses, and \$1,421,000 was in relation to short term timing differences).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

12. Intangible assets

	Customer contracts \$000	Goodwill \$000	Computer software \$000	Total \$000
Cost				
At 1 January 2022	3,153	9,422	1,181	13,756
Additions	-	-	507	507
Disposals	-	-	-	-
At 31 December 2022	<u>3,153</u>	<u>9,422</u>	<u>1,688</u>	<u>14,263</u>
Amortisation				
At 1 January 2022	3,153	9,422	1,123	13,698
Charge for the year	-	-	58	58
Disposals	-	-	-	-
At 31 December 2022	<u>3,153</u>	<u>9,422</u>	<u>1,181</u>	<u>13,756</u>
Net book value				
At 31 December 2022	<u>-</u>	<u>-</u>	<u>507</u>	<u>507</u>
At 31 December 2021	<u>-</u>	<u>-</u>	<u>58</u>	<u>58</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

13. Tangible assets

	Long-term leasehold property \$000	Fixtures and fittings \$000	Other tangible assets \$000	Total \$000
Cost or valuation				
At 1 January 2022	7,033	1,503	2,902	11,438
Additions	232	116	897	1,245
Disposals	(2,454)	(530)	(1,305)	(4,289)
As 31 December 2022	<u>4,811</u>	<u>1,089</u>	<u>2,494</u>	<u>8,394</u>
Depreciation				
At 1 January 2022	2,673	602	963	4,238
Charge for the year	535	721	1,370	2,626
Disposals	(2,454)	(530)	(1,295)	(4,279)
At 31 December 2022	<u>754</u>	<u>793</u>	<u>1,038</u>	<u>2,585</u>
Net book value				
At 31 December 2022	<u>4,057</u>	<u>296</u>	<u>1,456</u>	<u>5,809</u>
At 31 December 2021	<u>4,360</u>	<u>901</u>	<u>1,939</u>	<u>7,200</u>

Included within the net book value of land and buildings above is \$4,057,000 (2021: \$4,360,000) in respect of long leasehold land and buildings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

14. Stocks

	2022	2021
	\$000	\$000
Finished goods for resale	90,189	108,794

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 stock recognised as an expense in the year amounted to \$156,297,000 (2021 - \$137,926,000).

Stocks are stated after provision for impairment of \$32,494,000 (2021 - \$18,696,000).

15. Debtors: amounts due within one year

Amounts falling due within one year

	2022	2021
	\$000	\$000
Trade debtors	54,004	47,653
Amounts owed by group undertakings	11,014	53,031
Other debtors	5,624	1,959
Corporation tax recoverable	523	-
Deferred taxation	674	288
Prepayments and accrued income	192	421
	72,031	103,352

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. The balance owed by group undertakings is stated after a provision for impairment of \$39,692,258 (2021: nil).

Trade debtors are stated after provision for impairment of \$2,079,608 (2021 - \$1,801,186).

For more information on deferred taxation, please refer to Note 11.

16. Cash at bank and in hand

	2022	2021
	\$000	\$000
Cash at bank	7,230	6,243
	7,230	6,243

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

17. Creditors: amounts falling due within one year

	2022	2021
	\$000	\$000
Trade creditors	9,629	9,078
Amounts owed to group undertakings	175,060	158,209
Taxation and social security	387	-
Accruals and deferred income	2,902	3,704
	<u>187,978</u>	<u>170,991</u>

Amounts owed to group undertakings are unsecured, with interest payable at rates between 3% and 5%, dependent upon the group undertaking and date of agreement, and repayable on demand.

18. Pension and other schemes

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 \$1,129,000 (2021 - \$1,105,000).

19. Called Up Share Capital

	2022	2021
	\$	\$
Authorised, allotted, called up and fully paid 100 (2021: 100) Ordinary shares of \$1.00 each	<u>100</u>	<u>100</u>

20. Capital and Reserves

Share capital represents the number of shares issued at nominal price, being 1 ordinary share of £1 each at 31 December 2022 and 31 December 2021.

The (Accumulated Deficit) / Retained Earnings account represents accumulated comprehensive income and losses for the period and prior years, after deduction of dividends paid.

21. Commitments under operating leases

At 31 December the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022	2021
	\$000	\$000
Not later than 1 year	1,172	1,553
Later than 1 year and not later than 5 years	3,587	4,751
Later than 5 years	3,700	4,863
	<u>8,459</u>	<u>11,167</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was \$1,553,000 (2021: 1,053,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

22. Related party transactions

The company has no related party transactions undertaken during the year (2021: £nil).

23. Controlling party

The company's immediate parent is Wesco Aircraft International Holdings Limited, incorporated in England and Wales.

The ultimate controlling party is Wesco Aircraft Holdings Inc., incorporated in the USA, and prepares consolidated financial statements which are the smallest and largest to include the company.

On 9 January 2020, Wesco Aircraft Holdings Inc., the ultimate holding company of the Company was acquired by Wolverine Top Holding Corporation, an affiliate of platinum Equity Advisors, LLC.

Wolverine Top Holding Corporation replaces Wesco Aircraft Holdings Inc., as the ultimate holding company and the latter becomes the Company's intermediate parent company.

Wolverine Top Holding Corporation is incorporated in the United States of America and prepares consolidated financial statements which are the smallest and largest to include the Company.

24. Post Balance Sheet events

On 1 June 2023, the Company, along with other companies in the same Group, entered into Chapter 11 voluntary bankruptcy arrangement filed with the courts in Texas, USA, where the Group Head Office is situated. The Company expects to exit these arrangements in the first quarter of 2024.