Registered No: 06404274

Vector Aerospace International Limited

Report and Financial Statements

31 December 2019

Vector Aerospace International Limited
Report and Financial Statements
Contents

	Page
Company Information	3
Strategic Report	4
Directors' Report	6
Statement of Directors' Responsibilities	8
Independent auditor's report	9
Statement of Comprehensive Income	12
Statement of Changes in Equity	13
Statement of Financial Position	14
Notes to the financial statements	15

Directors
Simon Jones
Gary Carruthers
Brent Fawkes
Michael Scott

Auditors
Ernst & Young LLP
Grosvenor House
Grosvenor Square
Southampton SO15 2BE

Bankers
Barclays Bank
30 St Werburgh Street
Chester
Cheshire CH1 2DY

Registered Office
Fleetlands
Fareham Road
Gosport
Hampshire PO13 0AA

Strategic Report

The directors present their Strategic Report for the year ended 31 December 2019.

Review of the business

The Company's principal activity is the maintenance, repair and overhaul of aircraft, airframes and components, aerospace engines and related services.

On 4 April 2019, The Carlyle Group completed the purchase of Standard Aero Inc. and its subsidiaries, including the company, from The Veritas Capital Fund V, L.P.

The directors consider the ultimate parent undertaking and controlling party to have changed from the Veritas Capital Fund V, L.P. to The Carlyle Group with effect from that date.

The Company's key performance indicators during the year are as follows:

	2019 U$000's	2018 U$000's	Change (%)
Turnover	114,579	112,282	+2%
Operating (Loss)	(3,875)	(2,765)	+40%
Total Equity	50,495	49,257	+3%
Current Assets as % of Current Liabilities	146%	234%	-37%
Average monthly number of employees	618	658	-6%

The business comprises airframe, engine and component MRO (maintenance, repair and overhaul) activity. The primary revenue relates to Chinook (Boeing) and a number of aircraft engines (Rolls-Royce / Pratt & Whitney / Honeywell) and associated components and accessories.

Total equity increased by U$1.2m largely due to the impact of the net actuarial gain relating in the pension scheme recorded in the 2019 financial statements.

The directors consider the level of business and the period end financial position to be satisfactory.

Future Developments

The external commercial environment is expected to remain competitive through 2020 and beyond. However, we expect improvements to our current level of performance in the future, driven by our culture of continuous improvement, and the benefits to the business from being part of the wider StandardAero group.

Principal Risks and Uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to relate to competition from other aircraft maintenance businesses. However, the emergence of the COVID-19 global pandemic during early 2020 has created additional uncertainties around the company's current operations. Current demand for repair and overhaul services by the company, with its focus on customers operating in the defence sector, has remained largely in line with prior year levels, although there is a risk that this may reduce in future, due to the wider global impact from COVID-19.

Strategic Report (continued)

Principal Risks and Uncertainties (continued)

The Company's normal repair and overhaul activity at all sites has continued throughout the period since the 31 December 2019 year end. A number of employees have been working from home and the Company has taken action to safeguard employees' health, safety and wellbeing in line with government guidelines for on-site working. Further details are set out in the Subsequent Events and Going Concern sections within the Directors' Report.

The Company's management has implemented business continuity plans as a result of COVID-19, which are operating as designed, and is implementing mitigating actions to minimise the impact on the financial position of the Company by using a three-phase action plan:

- Phase One - Protect employees health and the liquidity of the business;
- Phase Two - Resize the business while maintaining process efficiency; and
- Phase Three - Position the Company for the eventual return of a normal market.

The directors have increased the frequency and extent of communication with its parent Company, its key external customers, its suppliers and its employees. Although the directors have a reasonable expectation that it will remain viable and able to operate, uncertainty still exists over the timeframe over which the UK and wider global economy will emerge from the current COVID-19 crisis.

Other risks include:

- Legislative risk: The company is in compliance with applicable regulations of the aviation industry. Compliance imposes costs and failure to comply with the applicable standards could affect the company's ability to operate.
- Revenue risk: The majority of the revenues earned by the company are covered by longer term support contracts. Activity levels are based on scheduled maintenance events which are dependent on customer flying hours and the passage of time. Additional revenue can be generated as a result of unexpected damage to the airframe and/or completion of upgrade and modification programmes.

Section 172 Statement

The directors have a duty to promote the long-term sustainable success of the Company and understand that consideration must be given to wider stakeholders and other factors when making decisions. This duty is reflected in particular when:

- setting, updating and monitoring Company strategy and managing and mitigating risk;
- putting in place policies and procedures to support operational performance and achievement of goals;
- implementing engagement with customers, suppliers, employees and the wider community in which the business operates; and
- assessing the level and depth of information required for decision making and any training and development needs to carry out their duties.

The directors' behaviours are intended to reinforce this duty and help foster the Company's values and culture and align them to the Company's goals and objectives, set within the context of alignment with the interests of all stakeholders, where possible. Further details of stakeholder engagement are provided in the Directors' Report.

By order of the board

S Jones
Director

Date: 17|12|20

Directors' Report

The directors present their Directors' Report for the year ended 31 December 2019.

Results and dividends

The results for the year are set out in the Statement of Comprehensive Income on page 12.
The directors do not recommend the payment of a dividend in the current year (2018: dividend paid in the year of $nil).

Directors

The directors during the year and subsequently were as follows:

Simon Jones
Gary Carruthers
Brent Fawkes
Michael Scott

Directors' liabilities

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' report.

Subsequent events

In the period since year end, the COVID-19 global pandemic has had a significant impact on the wider UK and global economies, and on the Company's ability to carry out normal operations. In line with UK government's current requirements, the Company has implemented certain amended working practices, including the adoption of safe distancing for employees working on site, and 'working from home' for those employees when and where possible.

As the Company primarily provides its services to customers who operate in the Defence sector, the demand for these services has continued at or close to normal levels, with minimal impact on the levels of activities and customer deliveries achieved by the Company during 2020 as a direct result of COVID-19.

The Company's defined benefit pension scheme is also exposed to the impact of the COVID-19 pandemic through fluctuations in the pension scheme asset values and also changes in the financial assumptions used to determine the pension scheme obligations. Given the complexity of the situation it is not practicable as of the date of approval of the financial statements to reliably estimate the impact from COVID-19 on the accounting deficit arising from the Company's defined benefit pension scheme.

Going concern

The directors have carried out an assessment of the going concern position of the Company, including consideration and modelling of the potential impacts of the COVID-19 global pandemic on forecasts of profit and cashflows. Forecasts used reflect potentially reduced levels of revenues for the remainder of 2020 and 2021, as well as appropriate cost and cashflow mitigation actions.

The cashflow forecasts prepared for the going concern assessment period, indicate that the Company will maintain appropriate cash and short-term funding balances in place throughout the period through to December 2021. In addition to the Company's own cash funds held and generated, the directors have also sought and obtained a confirmation of continued financial support from our parent Company Standard Aero Inc. This included confirmation that the long-term loan balance of $52.2m will not mature until July 2022.

On the basis of the above assessment, the Company is considered to have appropriate financial resources to manage its business risks successfully. After reviewing the above, the directors have concluded that they have a reasonable expectation that the Company has adequate resources to continue as a going concern for a period of at least 12 months from the date of approving the financial statements for the year ended 31 December 2019. Accordingly, they continue to adopt the going concern basis in preparing the Report and Financial Statements.

Directors' Report (continued)

Stakeholder engagement statement

Engagement with our stakeholders plays a vital role in the success of the Company. The principal stakeholders impacting the Company are considered to include the following:

- Customers – customers are the core of our business and understanding their needs and developing solutions that address these needs is critical to our success. The Company provides services to a number of customers across the global aerospace and defence sector. Collaboration and partnership with all customers is fundamental to our ability to add sustainable value to our existing customers and help ensure the retention of their business, and to the ongoing success of the Company.
- Suppliers – collaboration and partnership are also fundamental to our supply chain relationships and there are established ongoing communication mechanisms with preferred suppliers and other supply chain partners. The Company engages with suppliers with an ongoing dialogue in respect of order placement, quality and compliance processes, receipt and payments. The Company works proactively with suppliers to help resolve any issues. The Company undertakes to pay suppliers in line with the government payment practice guidelines.
- Employees – The Company operates a framework for employee information and consultation, which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year, the policy of providing employees with information about the Company has been continued through management presentations to employees in which employees have also been encouraged to present their views and suggestions. Regular meetings are held between management and employee representatives so as to promote a free flow of information.
  The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.
- Shareholders – The Company undertakes regular sharing of strategy and performance with its parent Company, Standard Aero Inc. The Company reports results on a regular monthly basis with a particular focus on customer relationships, supplier performance, profit and loss and cash performance.
- Society, Communities and Environment - our culture is supportive of ongoing engagement by our employees with the communities in which they live and engage. The Company is key part of the local community in both Gosport (Hampshire) and Almondbank (Perthshire) as a large local employer. The Company supports local charitable initiatives through various charity committees made up of staff members.
  Environmental issues and challenges remain a key focus for the Company. Specific focus has been to segregate waste appropriately and reduce waste going to landfill

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the board

S Jones
Director

Date: 17/12/20

Statement of Directors' Responsibilities

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

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

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

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

Independent auditor's report
to the members of Vector Aerospace International Limited

Opinion

We have audited the financial statements of Vector Aerospace International Limited for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the related notes 1 to 25, including a summary of significant accounting policies The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Emphasis of matter – Effects of COVID-19

We draw attention to Note 1 (Going Concern) and Note 25 (Subsequent Events) of the financial statements, which describes the economic and social consequences and disruption the Company is facing as a result of COVID-19 developments, which are impacting the UK and global economies, as well as the Company's ability to operate normally. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report (continued)

to the members of Vector Aerospace International Limited

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst + Young LLP

David Marshall (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton

Date: 17 December 2020

Statement of Comprehensive Income

for the year ended 31 December 2019

	Notes	2019 U$000's	2018 U$000's
Turnover	2	114,579	112,282
Cost of sales		(83,830)	(80,789)
Gross profit		30,749	31,493
Administrative expenses		(34,624)	(34,258)
Operating (loss)	3	(3,875)	(2,765)
Exceptional items	6	6,431	(967)
Interest payable and similar charges	7	(2,030)	(1,918)
Other financing costs – pension scheme	8	(407)	(515)
Profit/(Loss) on ordinary activities before taxation		119	(6,165)
Taxation	9	(100)	267
Profit/(Loss) for the financial year		19	(5,898)
Other comprehensive income			
Actuarial gain on pension scheme		960	3,255
Tax on items in other comprehensive income		259	726
Total comprehensive income/(loss) for the year		1,238	(1,917)

All amounts relate to continuing operations.

Statement of Changes in Equity

for the year ended 31 December 2019

	Share capital US$000's	*Revaluation reserve US$000's*	*Retained earnings US$000's*	*Total equity US$000's*
At 1 January 2018	-	56,649	(3,402)	53,247
Loss for the year	-	-	(5,898)	(5,898)
Reserve transfer	-	(1,729)	1,729	-
Actuarial gain on defined benefit pension scheme	-	-	3,255	3,255
Deferred tax relating to revaluation and actuarial loss	-	1,279	(553)	726
Foreign exchange adjustment	-	(2,637)	564	(2,073)
At 31 December 2018	-	53,562	(4,305)	49,257
Profit for the year	-	-	19	19
Reserve transfer	-	(1,729)	1,729	-
Actuarial gain on defined benefit pension scheme	-	-	960	960
Deferred tax relating to revaluation and actuarial gain	-	395	(136)	259
At 31 December 2019	-	52,228	(1,733)	50,495

Statement of Financial Position

as at 31 December 2019

	Note	*2019* *U$000's*	*2018* *U$000's*
Fixed assets			
Negative goodwill	11	(6,288)	(6,771)
Intangible fixed assets	12	11,138	795
Tangible assets	13	103,574	105,912
		108,424	99,936
Current assets			
Stocks	14	38,863	24,938
Receivables:	15		
amounts falling due within one year		42,974	31,835
amounts falling due after one year		5,856	6,387
		87,693	63,160
Cash at bank and in hand		2,547	5,060
		90,240	68,220
Payables: amounts falling due within one year	16	(61,663)	(29,130)
Net current assets		28,577	39,090
Total assets less current liabilities		137,001	139,026
Payables: amounts falling due after more than one year	17	(65,341)	(64,895)
Provisions for liabilities	18	(7,890)	(8,875)
Net assets excluding pension liabilities		63,770	65,256
Provision for pension liabilities	22	(13,275)	(15,999)
Net assets		50,495	49,257
Capital and reserves			
Called up share capital	19	-	-
Revaluation reserve	20	52,228	53,562
Retained earnings		(1,733)	(4,305)
Total equity		50,495	49,257

These financial statements were approved by the Board of Directors on 17 December 2020 and were signed on its behalf by:

S Jones (Director)

Notes to the financial statements

at 31 December 2019

1. Authorisation of financial statements and statement of compliance with FRS 102

The financial statements of Vector Aerospace International Limited for the year ended 31 December 2019 were approved for issue by the board of Directors on the date as shown on the Statement of Financial Position. The Company is incorporated and domiciled in England and Wales. Vector Aerospace International Limited is a private Company, limited by shares.

All values are rounded to the nearest thousand except when otherwise indicated.

Foreign currency – functional and presentational currencies

The financial statements have been presented in US dollars, including the prior period amounts as the functional currency of the Company is considered to be US dollars.

Basis of preparation

The financial statements were prepared under the historical cost convention and in accordance with FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS102).

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019.

The Company is exempt from the obligation to prepare and deliver group financial statements by virtue of section 400 of the Companies Act 2006, as the Company's parent Company publishes group financial statements in which this Company is included. Accordingly, the financial statements present information about the Company as an individual undertaking and not about its group.

The Company has taken advantage of the following reduced disclosure exemptions under FRS102:

- the requirements of Section 7 'Statement of Cash Flows';
- the requirements of Section 3 'Financial Statement Presentation' paragraph 3.17(d);
- the requirements of Section 11 paragraphs 11.39 to 11.48A and Section 12 paragraphs 12.26 to 12.29 relating to 'Financial Instruments' disclosures; and
- the requirement of Section 33 paragraph 33.7 relating to 'Related Party Transactions' and compensation payments to key management personnel.

Going concern

The directors have carried out an assessment of the going concern position of the Company, including consideration and modelling of the potential impacts of the COVID-19 global pandemic on forecasts of profit and cashflows. Forecasts used reflect potentially reduced levels of revenues for the remainder of 2020 and 2021, as well as appropriate cost and cashflow mitigation actions.

The cashflow forecasts prepared for the going concern assessment period, indicate that the Company will maintain appropriate cash and short-term funding balances in place throughout the period through to December 2021. In addition to the Company's own cash funds held and generated, the directors have also sought and obtained a confirmation of continued financial support from our parent Company Standard Aero Inc. This included confirmation that the long-term loan balance of $52.2m will not mature until July 2022.

On the basis of the above assessment, the Company is considered to have appropriate financial resources to manage its business risks successfully. After reviewing the above, the directors have concluded that they have a reasonable expectation that the Company has adequate resources to continue as a going concern for a period of at least 12 months from the date of approving the financial statements for the year ended 31 December 2019. Accordingly, they continue to adopt the going concern basis in preparing the Report and Financial Statements.

Notes to the financial statements

at 31 December 2019

1.1 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements are considered to have the most significant effect on the amounts recognised in the financial statements:

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 9.

Pension and other post-employment benefits

The cost of defined benefit pensions plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 22.

1.2 Accounting policies

Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods or completion of the contracted service. Where there are long term contracts, revenue is recognised prior to the completion of the full contract, if the contract is defined into specific identifiable work segments and those work segments have been completed.

Revenue is recognised excluding discounts, rebates, VAT and other sales taxes or duty.

Notes to the financial statements

at 31 December 2019

1.2 Accounting policies (continued)

Intangible assets

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortisation is provided on all intangible assets on a straight-line bases over the expected useful life as follows:

Software: 3 to 5 years
Licences: over period of the licence

The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets are amortised on a straight line basis over the estimated useful lives which are reviewed on an annual basis. The Company has a number of licenses to maintain Original Equipment Manufacturer engines as an approved Maintenance and Repair Organisation. The economic life of the licences is the date at which the rights inferred in the licence terms expire. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Where the fair value of the separable net assets exceeds the fair value of the consideration for an acquired undertaking, the difference is treated as negative goodwill and is capitalised and amortised through the profit and loss account over the period in which the non-monetary assets acquired are recovered. In the case of fixed assets, this is the period in which they are depreciated, and in the case of current assets, the period over which they are sold or otherwise realised.

Tangible fixed assets

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs directly attributable to assets under construction are capitalised as part of the cost of that asset.

Land and buildings are recognised initially at cost. With effect from 31 December 2018, land and buildings thereafter are carried at fair value less depreciation and impairment charged subsequent to the date of the revaluation. Fair value is based on periodic valuations by an external independent valuer and is determined from market-based evidence by appraisal. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the revaluation reserve in equity except to the extent that it reverses a decrease in the carrying value of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent of any existing surplus in respect of that asset in the revaluation reserve.

An annual transfer is made from the revaluation reserve to retained earnings for the difference between depreciation based on the carrying amount of the assets and that based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Notes to the financial statements

at 31 December 2019

1.2 Accounting policies (continued)

Tangible fixed assets (continued)

Depreciation is provided on all property, plant and equipment, other than land, on a straight line basis over its expected useful life as follows:

Buildings	- over 5 to 40 years
Equipment / machinery / tools / furniture	- over 3 to 25 years
Computer hardware	- over 3 to 5 years
Leasehold improvements	- over the term of the lease
Vehicles	- over 3 to 15 years

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Spare parts and consumables	–	purchase cost on a first in, first out basis
Work in progress	–	cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Provision for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be require to settle the obligation and a reliable estimate can be made.

The estimated liability for costs to be incurred as a result of future warranty claims is recorded in the year in which the revenue is recognised on the basis of warranty terms and historical experience.

Foreign currency

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

Monetary assets and liabilities denominated in foreign currencies are translated into USA dollars at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into USA dollars at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Income Statement.

Operating leases

Rentals paid under operating leases are charged to the Income Statement on a straight line basis over the lease term.

Notes to the financial statements

at 31 December 2019

1.2 Accounting policies (continued)

Exceptional items

The Company presents as exceptional items those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow users of the financial statements to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exception:

- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Trade and other debtors

Trade debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Notes to the financial statements

at 31 December 2019

1.2 Accounting policies (continued)

Pensions

The Company operates defined benefit pension schemes, which require contributions to be made to separately administered funds.

The cost of providing benefits under the defined benefit plans is determined using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in the income statement as other finance revenue or cost.

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value of plan assets is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

2. Turnover

Turnover is attributable to one continuing operation, the repair and overhaul support of aircraft and related aircraft engines and components.

An analysis of turnover by geographical market is given below:

	2019	*2018*
	US$000's	*US$000's*
United Kingdom	30,060	33,990
North America	56,240	31,889
Rest of the World	28,279	46,403
	114,579	112,282

Notes to the financial statements
at 31 December 2019

3. Operating (loss)

This is stated after charging / (crediting):

		2019 U$000's	2018 U$000's
Auditors' remuneration	– audit services	111	111
Operating lease rentals	– land and buildings	188	187
	– other	216	287
Depreciation of tangible fixed assets		5,113	5,877
Amortisation of intangible assets		717	238
Amortisation of other intangible assets – negative goodwill		(483)	(484)
Foreign exchange losses		351	1,931
Cost of stocks recognised as an expense (included in cost of sales)		67,513	55,090

Notes to the financial statements

at 31 December 2019

4. Directors' remuneration

	2019 *U$000's*	*2018* *U$000's*
Aggregate remuneration in respect of qualifying services	696	529
Aggregate amounts payable in respect of defined contributions pension scheme	28	29
Highest paid director:		
Aggregate remuneration in respect of qualifying services	555	279
Aggregate amounts payable in respect of defined contributions pension scheme	17	17

	2019 *No.*	*2018* *No.*
Number of directors accruing benefits under defined contribution schemes	2	2

Directors residing in the UK are remunerated through the Company and provide all their services to the Company. Other overseas based directors, who do not provide qualifying services to the Company, are remunerated by other companies within the wider group.

5. Staff costs

	2019 *U$000's*	*2018* *U$000's*
Wages and salaries	31,413	33,146
Social security costs	3,186	4,619
Defined benefit pension service cost (note 22)	374	378
Defined contribution pension costs	2,821	3,169
	37,794	41,312

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

	2019 *No.*	*2018* *No.*
Administration	238	241
Production	380	417
	618	658

Notes to the financial statements

at 31 December 2019

6. Exceptional items

	2019 *U$000's*	*2018* *U$000's*
Write-back of intangible asset impairment charge recorded in a prior period (see Note 12)	(7,500)	-
Group restructuring costs	1,069	967
Total exceptional (income)/expense	(6,431)	967

7. Interest payable and similar charges

	2019 *U$000's*	*2018* *U$000's*
Dividends due on preference shares (see note 10)	384	399
Group interest payable	1,607	1,566
Other interest payable	46	-
Other interest receivable	(7)	(47)
Net interest payable	2,030	1,918

8. Other financing costs – pension scheme

	2019 *U$000's*	*2018* *U$000's*
Interest income on pension scheme assets (see note 22)	(2,673)	(2,582)
Interest cost on pension scheme liabilities (see note 22)	3,080	3,097
Net interest payable	407	515

Notes to the financial statements

at 31 December 2019

9. Taxation

(a) Tax on profit on ordinary activities

	2019 *U$000's*	*2018* *U$000's*
Current tax:		
UK corporation tax at 19.00% (2018 – 19.00%)	-	-
Adjustment to tax in respect of previous periods	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	466	(758)
Adjustment to tax in respect of previous periods	(366)	491
Tax charge/(credit) on profit on ordinary activities	100	(267)

(b) Factors affecting total tax charge

	2019 *U$000's*	*2018* *U$000's*
The tax assessed on the profit on ordinary activities differs from the standard rate of corporation tax in the UK as follows:		
Profit/(loss) on ordinary activities before tax	119	(6,165)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%)	23	(1,171)
Net income not deductible for tax purposes	(10)	(34)
Other differences (including losses)	453	447
Adjustments to tax charge in respect of previous periods	(366)	491
Total tax charge/(credit) for the year (note 9(a))	100	(267)

Notes to the financial statements

at 31 December 2019

9. Taxation (continued)

(c) Deferred tax recognised at year end:

	2019 *U$000's*	*2018* *U$000's*
Deferred tax assets in respect of:		
Pension scheme	2,387	2,936
Other timing differences (including tax losses)	3,469	3,451
Deferred tax asset recognised (note 15)	5,856	6,387
Deferred tax liabilities in respect of:		
Land and building revaluation	(7,043)	(7,437)
Accelerated capital allowances and other timing differences	(698)	(992)
Deferred tax liability recognised (note 18)	(7,741)	(8,429)

Reductions in the UK corporation tax rate from 19% to 17% from 1 April 2020 which was substantively enacted at the 31 December 2019 year end date. Accordingly, deferred tax recognised at 31 December 2019 period end has been calculated at 17%.

On the 11 March 2020, the UK Government's Budget announcement indicated that the reduction in the UK corporation tax rate to 18% from 1 April 2020 and 17% from 1 April 2021 would be cancelled, holding the rate at 19%. This change had not been substantively enacted at the Statement of Financial Position date, therefore has not been applied for the calculation of the Company deferred tax position. The directors do not consider any potential change to this rate to be material for these financial statements in the current or future years.

10. Dividends and other appropriation

The directors did not recommend the payment of a dividend for the current year (2018: U$nil). The dividend payable on the cumulative preference shares of $384,000 (2018: $399,000) is shown as a finance cost within net interest (see note 7).

Notes to the financial statements

at 31 December 2019

11. Negative goodwill

	U$000's
Cost:	
At 1 January 2019 and 31 December 2019	(13,245)
Amortisation:	
At 1 January 2019	6,474
Provided during the period	483
At 31 December 2019	6,957
Net book value:	
At 31 December 2019	(6,288)
At 1 January 2019	(6,771)

Negative goodwill relates to the purchase of the business from the Defence Aviation and Repair Agency in 2008. It reflects the difference between the fair value of the net assets acquired and the purchase consideration, and is being amortised over the depreciation period of the related tangible fixed assets, or released on sale, whichever is sooner. The remaining amortisation period is currently 13 years (to 2032).

Notes to the financial statements

at 31 December 2019

12. Intangible fixed assets

	Software	*Licences*	*Total*
	U$000's	*U$000's*	*U$000's*
Cost:			
At 1 January 2019	1,474	24,046	25,520
Additions	-	3,560	3,560
At 31 December 2019	1,474	27,606	29,080
Amortisation:			
At 1 January 2019	986	23,739	24,725
Provided during the year	300	417	717
Prior year impairment charge reversed	-	(7,500)	(7,500)
At 31 December 2019	1,286	16,656	17,942
Net book value:			
At 31 December 2019	188	10,950	11,138
At 1 January 2019	488	307	795

The licenses relate to payments to aircraft engine manufacturers to become authorised maintenance facilities. The amounts are amortised on a straight line basis over the remaining life of the license.

The impairment review of licences was carried out initially in 2017 following the acquisition of the company by Standard Aero Inc., and the uncertainty over the levels of future revenues and related margins that would arise from the products on which the licences related. Revenue and margins in both 2019 and 2018 have been higher than initially forecast, and accordingly a further impairment review has been performed. In summary this has indicated that part of the impairment provision recorded in 2017 is no longer needed, and accordingly part of the impairment provision has been written back, so as to restate the carrying book value of the intangible asset to its historic cost less annual amortisation charge. Key assumptions inherent in the impairment value-in-use calculation have included revenue and margin forecasts over the remaining useful life of the intangible asset based on actual amounts achieved during 2018 and 2019, and a pre-tax weighted average cost of capital of 12.0%.

Notes to the financial statements

at 31 December 2019

13. Tangible fixed assets

	Land and buildings U$000's	*Plant and machinery U$000's*	*Total U$000's*
Cost:			
At 1 January 2019	89,540	44,692	134,232
Additions	534	2,310	2,844
Disposals	-	(1,808)	(1,808)
At 31 December 2019	90,074	45,194	135,268
Depreciation:			
At 1 January 2019	2,308	26,012	28,320
Provided during the year	2,320	2,793	5,113
Disposals	-	(1,739)	(1,739)
At 31 December 2019	4,628	27,066	31,694
Net book value:			
At 31 December 2019	85,446	18,128	103,574
At 1 January 2019	87,232	18,680	105,912

Included within land and buildings is freehold land with a carrying amount of U$43,370,000 (2018: U$43,370,000).
The land and buildings were last fully valued on the basis of open market value by an independent valuer (Gesvalt S.A.) with a recognised and relevant professional qualification, as at 31 December 2017, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. A revaluation gain of U$62,381,000 was recorded, being the first year a revaluation exercise was performed.
The comparable amounts for land and buildings determined according to the historical cost accounting rules are as follows:

	U$000's
At 31 December 2019	26,532
At 1 January 2019	26,609

Notes to the financial statements

at 31 December 2019

14. Stocks

	2019 U$000's	2018 U$000's
Spare parts and consumables	21,508	18,911
Work in progress	17,355	6,027
	38,863	24,938

15. Receivables

Amounts falling due within one year:

	2019 U$000's	2018 U$000's
Trade receivables	37,520	24,271
Amounts owed by group undertakings	3,461	1,764
Other receivables	1,565	3,691
Prepayments and accrued income	428	2,109
	42,974	31,835

Included in the balance above are amounts owed by other Standard Aero companies that relate to trading balances and are due within 60 days.

Amounts falling due after more than one year:

	2019 U$000's	2018 U$000's
Deferred tax asset (see Note 9c)	5,856	6,387
	5,856	6,387

Notes to the financial statements

at 31 December 2019

16. Payables: amounts falling due within one year

	2019 *U$000's*	*2018* *U$000's*
Trade payables	5,790	5,150
Amounts owed to group undertakings	44,954	13,132
Other taxes and social security costs	2,013	1,778
Other payables	457	473
Accruals and deferred income	8,449	8,597
	61,663	29,130

17. Payables: amounts falling due after more than one year

	2019 *U$000's*	*2018* *U$000's*
Amounts owed to group undertakings	52,200	52,200
Liability component of preference shares	13,141	12,695
	65,341	64,895

Included in the balance above is a loan of $52,200,000 (2018: $52,200,000) which is repayable on 7 July 2022. Interest is payable on this loan at 3.0% (2018: 3%).

The preference shares carry a dividend of 3.0% per annum, payable in four instalments each year. The dividend rights on these shares are cumulative.

Notes to the financial statements

at 31 December 2019

18. Provisions for liabilities

	Deferred tax *U$000's*	*Warranties* *U$000's*	*Total* *U$000's*
At 1 January 2019	8,429	446	8,875
Net credit in the year	(688)	(297)	(985)
At 31 December 2019	7,741	149	7,890

Deferred tax: see note 9 for analysis of net deferred tax liability.

Warranties: A provision is recognised for potential warranty claims. It is expected that these costs will normally be incurred within two years of the balance sheet date.

19. Called-up share capital

	Allotted, called up and fully paid	
	2019	*2018*
	US$	*US$*
100 ordinary shares of £1 each (2018: 100 shares)	128	128
Share capital classified as equity	128	128

20. Reserves

The revaluation reserve is used to record the increase in the fair value of land and buildings and decreases to the extent that such decreases relates to an increase on the same asset previously recognised in equity.

Notes to the financial statements

at 31 December 2019

21. Obligations under leases and hire purchase contracts

Operating lease agreements:

The Company has entered into commercial leases on certain motor vehicles and items of plant and machinery. These leases have duration of between 1 and 4 years.

The Company has entered into one property lease agreement that contains an option for renewal, with such option being exercisable up to three months before the expiry of the lease term at rentals based on market prices at the time of exercise.

There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments under operating leases are as follows:

	Land and buildings 2019 U$000's	*Other 2019 U$000's*	*Land and buildings 2018 U$000's*	*Other 2018 U$000's*
Operating leases future minimum lease payments due:				
Within one year	145	193	158	172
Within two to five years	580	484	578	168
In over five years	109	8	253	-
	834	685	989	340

22. Pension commitments

Vector Aerospace International Limited now operates two defined benefit schemes in the UK which provides both pensions in retirement and death benefits to members. Pension benefits are related to the members' final salary at retirement (or their career average re-valued salary) and their length of service.

The main scheme is the Vector Aerospace International Limited Pension Scheme ('the Scheme'). The Scheme has been closed to future accrual since April 2012.

On 1 July 2015, Vector Aerospace International Limited replaced its fellow subsidiary Vector Aerospace Engine Services UK Limited as Principal Employer to the Vector Aerospace 1998 Pension Plan ('the Plan'). The Plan has been closed to future accrual since July 2015.

Combined Company contributions to the Scheme and the Plan for 2020 are expected to be U$3,058,000.

Notes to the financial statements

at 31 December 2019

22. Pension commitments (continued)

The latest full actuarial valuation of the Scheme was carried out as at 31 March 2018 and of the Plan as at 31 March 2017. These have been updated to 31 December 2019 by a qualified independent actuary (XPS Pensions). The major assumptions used by the actuary were (in nominal terms) as follows:

	As at 31 Dec 2019	As at 31 Dec 2018
Discount rate	2.05%	2.75%
Rate of increase in RPI price inflation	3.05%	3.30%
Rate of increase in CPI price inflation	2.15%	2.30%
Rate of increase in salaries	3.80%	4.05%
Rate of increase to pensions in payment - Scheme	3.05%	3.30%
Rate of increase to pensions in payment (pre 1 April 2007) - Plan	3.00%	3.20%
Rate of increase to pensions in payment (on or after 1 April 2007) - Plan	2.15%	2.20%

The expected future lifetime of a male pensioner aged 65 is 21.0 years. For a future male pensioner retiring in 20 years, this increases to 22.1 years. The expected future lifetime of a female pensioner aged 65 is 23.5 years. For a future female pensioner retiring in 20 years, this increases to 24.8 years.

The assets in the scheme were:

	31 Dec 2019 U$000's	31 Dec 2018 U$000's
Equities	36,662	26,025
UK and global government bonds and swaps	51,642	39,228
UK and global corporate bonds	13,929	6,221
UK Property	1,183	1,396
Cash and other	10,775	23,232
Fair value of pension assets (combined Scheme and Plan)	114,191	96,102
The actual return on assets over the period was:	13,334	(4,606)
Present value of pension obligations (combined Scheme and Plan)	(127,466)	(112,101)
Fair value of pension assets	114,191	96,102
Net pension deficit recorded in statement of financial position	**(13,275)**	**(15,999)**

Notes to the financial statements

at 31 December 2019

22. Pension commitments (continued)

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	2019 U$000's	2018 U$000's
Benefit obligation at beginning of year	112,101	128,598
Interest cost	3,080	3,097
Actuarial losses/(gains)	9,727	(10,609)
Benefits paid	(1,692)	(2,228)
Foreign exchange adjustment	4,250	(6,757)
Benefit obligation at end of year	127,466	112,101

Reconciliation of opening and closing balances of the fair value of pension assets

	2019 U$000's	2018 U$000's
Fair value of scheme assets at beginning of year	96,102	105,999
Interest income on scheme assets	2,673	2,582
Return on assets, excluding interest income	10,661	(7,188)
Contributions by employers	3,042	3,076
Benefits paid	(1,692)	(2,228)
Scheme administrative cost	(374)	(378)
Foreign exchange adjustment	3,779	(5,761)
Fair value of scheme assets at end of year	114,191	96,102

Amounts recognised in the income statement:

	2019 U$000's	2018 U$000's
Service cost (administrative costs)	374	378
Net interest on the net defined benefit liability	407	515
Total expense recognised in year	781	893

Notes to the financial statements

at 31 December 2019

22. Pension commitments (continued)

Amounts recognised in Other Comprehensive Income:

	2019 U$000's	2018 U$000's
Actuarial (losses)/gains on the liabilities	(9,727)	10,609
Return on assets, excluding interest income	10,661	(7,188)
Net actuarial gain recognised in year	934	3,421

Sensitivity analysis

The results in the pension disclosures are inherently volatile, particularly the net pension liability recorded in the statement of financial position. These are dependent on the assumptions chosen by the directors. The table below shows the sensitivity of the balance sheet position to changes in assumptions to illustrate this volatility:

	31 Dec 2019 U$m	31 Dec 2018 U$m
Present value of pension liabilities of U$127.5m (2018: U$112.1m) when increasing the following assumptions by 1% p.a.:		
Discount rate	100.0	88.2
Retail price inflation	162.2	138.1
Mortality (increase life expectancy by 1 year)	133.4	116.8
Present value of pension liabilities of U$127.5m (2018: U$112.1m) when decreasing the following assumptions by 1% p.a.:		
Discount rate	166.9	145.7
Retail price inflation	101.6	93.6
Mortality (reduce life expectancy by 1 year)	121.9	107.3

The above sensitivity analysis is based on the full actuarial valuation of the Scheme as at 31 March 2018 updated to 31 December 2019 and the full actuarial valuation of the Plan as at 31 March 2017 updated to 31 December 2019 by a qualified independent actuary.

23. Related Party Transactions

The Company has taken advantage of the FRS102 exemption not to disclose transactions between wholly owned subsidiaries and other group companies within the same group.

Notes to the financial statements

at 31 December 2019

24. Ultimate parent undertaking and subsequent event

On 4 April 2019 The Carlyle Group completed the purchase of Standard Aero Inc. and its subsidiaries, including the Company, from The Veritas Capital Fund V, L.P.

The directors consider the ultimate parent undertaking and controlling party to have changed from the Veritas Capital Fund V, L.P. to The Carlyle Group with effect from that date.

Vector Aerospace (UK Holdings) Limited is the Company's immediate holding Company. Copies of the financial statements of this Company, which are the largest and smallest group that has included the Company in its 31 December 2019 group financial statements and which are publically available, may be obtained from its registered office, Fleetlands, Fareham Road, Gosport, Hampshire, PO13 0AA.

25. Subsequent events

In the period since year end, the COVID-19 global pandemic has had a significant impact on the wider UK and global economies, and on the Company's ability to carry out normal operations. In line with UK government's current requirements, the Company has implemented certain amended working practices, including the adoption of safe distancing for employees working on site, and 'working from home' for those employees when and where possible.

As the Company primarily provides its services to customers who operate in the Defence sector, the demand for these services has continued at or close to normal levels, with minimal impact on the levels of activities and customer deliveries achieved by the Company during 2020 as a direct result of COVID-19.

The Company's defined benefit pension scheme is also exposed to the impact of the COVID-19 pandemic through fluctuations in the pension scheme asset values and also changes in the financial assumptions used to determine the pension scheme obligations. Given the complexity of the situation it is not practicable as of the date of approval of the financial statements to reliably estimate the impact from COVID-19 on the accounting deficit arising from the Company's defined benefit pension scheme.