

Doncasters Aerospace Limited
Annual report and financial statements
for the year ended 31 December 2016

Registered Number: 04095261



Doncasters Aerospace Limited

Annual report and financial statements for the year ended 31 December 2016

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Doncasters Aerospace Limited

Strategic report for the year ended 31 December 2016

The directors present their strategic review on the Company for the year ended 31 December 2016.

Review of the business

The principal activities of the Company are specialist manufacturing and servicing of precision components for aero-engine and air-frame customers worldwide. Production capabilities include airfoil machining, investment casting, specialist metal-forming, fabrication and assembly of parts in high temperature materials. The company is a private company limited by shares and is incorporated and domiciled in England.

Sales for the Company decreased by £7.6 million during 2016 to £38.5 million from £46.1 million in 2015. The Company has net assets of £96.3 million (2015: £94.5 million).

The results for the Company show pre-tax profits of £0.4 million compared to £7.4 million during 2015. Volumes were in line with expectation but lower than 2015 due to the decline in legacy business with new products being introduced into the business taking a period of time to reach significant volumes. Profits were also affected by this change. Volumes are expected to increase in 2017 as demand for the new business increase.

The going concern assessment of the Company is dependent on the going concern assessment of the Group, due to being an obligor to the loan facilities of the Group. The Group has substantial loan arrangements with a number of financial institutions with maturity dates between 2020 and 2021.

The Directors have performed a going concern assessment by reviewing the latest forecasts and trading prospects of the Group. The latest forecasts for 2017 have been formally reviewed and adopted by the Board. Additionally the Directors have considered forecasts for 2018 in line with the multi-year plan prepared and approved by the Board. These forecasts indicate a progressive improvement in operating performance in 2017 and 2018 which is linked to the increasing order book, generally favourable markets and improving operational performance as new products are industrialised. The Directors have also considered available headroom under the Group's facilities which have recently been increased and maturity extended to January 2020. They are satisfied that sufficient headroom exists and levers are available to the Group to manage a number of reasonable down side sensitivities in terms of trading and cash performance. Therefore the Directors can see no reasonable outcome where the Group would not have sufficient financial resources to meet financial obligations as they fall due.

Dubai International Capital LLC ("DIC"), the majority owner of the Group, had certain debt facilities which matured, but remain unpaid, on 31 December 2016 for which the shares in the Group are held as collateral. At this stage the Directors believe there is nothing to suggest that the DIC lenders would take actions detrimental to the Group's ability to continue trading as a going concern. DIC is currently in active discussions with its lenders to conclude a formal debt restructuring which will substantially extend the maturity of its debt facilities. The Directors expect the DIC debt facilities to be restructured and extended without any disruption to the Group. However, there is no certainty as to the DIC lenders' actions. The conditions outlined and as described within the financial statements indicate the existence of a material uncertainty, which may cast significant doubt on the Group's and Company's ability to continue as a going concern. However, in consideration of all of the relevant factors the Directors have concluded that it is appropriate to prepare the accounts on a going concern basis. Therefore, the financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Doncasters Aerospace Limited

Strategic report for the year ended 31 December 2016 (continued)

Key performance indicators

The key performance indicators of the business are integrated with Doncasters Group Limited. The directors of Doncasters Group Limited manage the Group's operations on a divisional basis. Further discussion of the performance of the Group, which includes the Company, is provided within the Report of the directors of the Doncasters Group Limited annual report which does not form part of this report.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks.

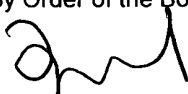
The Company is exposed to competition from other suppliers to the market.

The Company has significant sales contracts with a number of "blue-chip" companies and accordingly the directors believe there is no major exposure to credit risk. The Company's policy on credit risk requires appropriate credit checks on potential customers before sales commence.

The Company is exposed to commodity price risk and uses hedging instruments to manage this exposure where appropriate.

Further discussion of these risks and uncertainties, in the context of the Group as whole is provided within the Report of the directors of the Doncasters Group Limited annual report.

By Order of the Board



D Hinks
Director
28 September 2017

Doncasters Aerospace Limited

Directors' report for the year ended 31 December 2016

The Company's registered number is 04095261.

The directors submit their report together with the audited financial statements for the year ended 31 December 2016.

Directors

The directors who have served during the year and up to the date of signing this report are as follows:

M J Schurch	(resigned – 23 March 2016)
D Hinks	
I Molyneux	(appointed – 23 March 2016)

The Company maintains directors' and officers' liability insurance which gives appropriate cover for legal action brought against its directors. The Company has also provided an indemnity for its directors, which is a qualifying third party indemnity provision for the purpose of section 234 ((2) – (6)) of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

Dividends

No dividends are proposed (2015: £nil).

Future developments

The strategic report on pages 1 and 2 provides an indication of the future developments of the Company.

Research and development

Improvements in materials and process technology are regarded as an integral part of the Company's development and customer assurance programme. Total expenditure on research and development during the year was £1,155,000 (2015: £1,200,000), of which nil (2015: Nil) was capitalised. A credit was recognised in the year of £127,000 (2015: £129,000) associated with the research and development tax credit scheme.

Health and safety and the environment

The Company has a continuing commitment to health and safety issues. A positive stance towards environmental issues is maintained and the Company is committed to compliance with all applicable laws and regulations.

Employees

The Company firmly believes in recognising the contribution to its success of well-motivated and dedicated employees and to involving them fully in the Company's fortunes. Employees are informed of the performance of the Company on an ongoing basis. This information includes matters relating to the Company's performance, its prospects and future outlook of the business. Employees are encouraged to contribute ideas for improvement of the Company in all communication forums.

The Company gives equal consideration to applications for employment from disabled people having regard to their particular aptitudes and abilities. It is company policy wherever practicable to continue to employ, train and promote the career development of existing employees who become disabled.

Employee participation and involvement in matters which affect their interests continue to be developed.

Doncasters Aerospace Limited

Directors' report for the year ended 31 December 2016 (continued)

Financial risk management

The most significant treasury exposures faced by the Company relate to the management of currency positions; these are mitigated through use of the Treasury function within the Doncasters Group. Clear parameters have been established including levels of authority on the type and use of financial instruments to manage these exposures. Transactions are only undertaken if they relate to the underlying exposures and regular reports are provided to the directors detailing the use and extent of these financial instruments.

The Company faces currency exposure on trading transactions undertaken in foreign currencies. These exposures are hedged by utilising a central treasury function for Group companies within the United Kingdom, which takes out forward foreign exchange contracts on behalf of the Company. These contracts have a maturity of up to two years forward and are against anticipated and known sales and purchases. Cash is managed by placing it on short-term investments with the Company's banking institutions. Further risk management policies are disclosed in the strategic report.

Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided within the Report of the directors of the Doncasters Group Limited annual report.

Statement of directors' responsibilities in respect of the financial statements

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 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 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 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.

Doncasters Aerospace Limited

Directors' report for the year ended 31 December 2016 (continued)

Statement of directors' responsibilities in respect of the financial statements (continued)

The directors 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.

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.

By Order of the Board



D Hinks
Director

28 September 2017

Registered Office:
Millennium Court
First Avenue
Burton-upon-Trent
Staffordshire
DE14 2WH

Doncasters Aerospace Limited

Independent auditors' report to the members of Doncasters Aerospace Limited

Report on the financial statements

Our opinion

In our opinion, Doncasters Aerospace Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - 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 1 to the financial statements concerning the company's ability to continue as a going concern. The company's ability to continue as a going concern, as obligor to the debt of Doncasters Group Limited (the "Group"), is dependent on the Group's going concern assessment. There exists uncertainty over the actions that may be taken by the lenders to the parent company of the Group where there is debt that has matured but remains unpaid in the event that a formal debt restructuring cannot be agreed. These conditions, as explained in note 1 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 was unable to continue as a going concern.

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2016;
- the profit and loss account for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

Opinions on other matters 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.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or

Doncasters Aerospace Limited

Independent auditors' report to the members of Doncasters Aerospace Limited (continued)

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 4 and 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

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

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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.



David Teager (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

28 September 2017

Doncasters Aerospace Limited

Profit and loss account for the year ended 31 December 2016

	Note	2016 £000	2015 £000
Turnover	2	38,501	46,130
Cost of sales		(34,064)	(35,446)
Gross profit		4,437	10,684
Net operating expenses before exceptional items		(4,026)	(3,219)
Exceptional items	3	-	(116)
Net operating expenses	4	(4,026)	(3,335)
Operating profit	5	411	7,349
Interest payable		(2)	-
(Loss) / Profit on disposal of tangible fixed assets		(2)	7
Profit on ordinary activities before taxation		407	7,356
Taxation on profit on ordinary activities	7	1,395	(617)
Profit for the financial year		1,802	6,739

The above results arise from continuing operations.

The Company had no other comprehensive income for the financial years ended 2016 and 2015. Therefore, no separate statement of comprehensive income has been presented.

Doncasters Aerospace Limited

Balance sheet as at 31 December 2016

	Note	2016	2015
		£000	£000
Fixed assets			
Intangible assets	8	1,142	1,388
Tangible assets	9	7,198	6,059
		8,340	7,447
Current assets			
Stocks	10	9,817	9,040
Debtors – receivable within one year	11	84,423	83,412
Debtors – receivable after one year	11	3,229	1,809
		97,469	94,261
Creditors: amounts falling due within one year	12	(9,522)	(7,223)
Net current assets		87,947	87,038
Net assets		96,287	94,485
Capital and reserves			
Called up share capital		1,500	1,500
Profit and loss account		94,787	92,985
Total shareholders' funds		96,287	94,485

The financial statements on pages 8 to 24 were approved by the board of directors on 28 September 2017 and were signed on its behalf by:



D Hinks
Director
28 September 2017

Doncasters Aerospace Limited

Statement of changes in equity for the year ended 31 December 2016

	Share capital	Profit and loss account	Total
	£000	£000	£000
Balance at 1 January 2015	1,500	86,246	87,746
Profit for the year ended 31 December 2015	-	6,739	6,739
Balance at 31 December 2015	1,500	92,985	94,485
Profit for the year ended 31 December 2016	-	1,802	1,802
Balance at 31 December 2016	1,500	94,787	96,287

Share capital is comprised of 1,500,002 ordinary shares of £1 each which are all allotted, called up and fully paid.

Doncasters Aerospace Limited

Notes to the financial statements for the year ended 31 December 2016

1 Accounting policies

Basis of preparation of the financial statements

The financial statements are prepared on a going concern basis under the historical cost convention, apart from financial derivatives which are presented as fair value, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The Board has reviewed the accounting policies adopted in the financial statements and consider them to be the most appropriate for the Company.

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS:102") and the Companies Act 2006.

The principal accounting policies are set out below and have been applied consistently to all years presented.

The Company's functional and presentational currency is the pound sterling.

The going concern assessment of the Company is dependent on the going concern assessment of the Group, due to being an obligor to the loan facilities of the Group. The Group has substantial loan arrangements with a number of financial institutions with maturity dates between 2020 and 2021.

The Directors have performed a going concern assessment by reviewing the latest forecasts and trading prospects of the Group. The latest forecasts for 2017 have been formally reviewed and adopted by the Board. Additionally the Directors have considered forecasts for 2018 in line with the multi-year plan prepared and approved by the Board. These forecasts indicate a progressive improvement in operating performance in 2017 and 2018 which is linked to the increasing order book, generally favourable markets and improving operational performance as new products are industrialised. The Directors have also considered available headroom under the Group's facilities which have recently been increased and maturity extended to January 2020. They are satisfied that sufficient headroom exists and levers are available to the Group to manage a number of reasonable down side sensitivities in terms of trading and cash performance. Therefore the Directors can see no reasonable outcome where the Group would not have sufficient financial resources to meet financial obligations as they fall due.

Dubai International Capital LLC ("DIC"), the majority owner of the Group, had certain debt facilities which matured, but remain unpaid, on 31 December 2016 for which the shares in the Group are held as collateral. At this stage the Directors believe there is nothing to suggest that the DIC lenders would take actions detrimental to the Group's ability to continue trading as a going concern. DIC is currently in active discussions with its lenders to conclude a formal debt restructuring which will substantially extend the maturity of its debt facilities. The Directors expect the DIC debt facilities to be restructured and extended without any disruption to the Group. However, there is no certainty as to the DIC lenders' actions. The conditions outlined and as described within the financial statements indicate the existence of a material uncertainty, which may cast significant doubt on the Group's and Company's ability to continue as a going concern. However, in consideration of all of the relevant factors the Directors have concluded that it is appropriate to prepare the accounts on a going concern basis. Therefore, the financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Doncasters Aerospace Limited

1 Accounting policies (continued)

Turnover

Turnover represents the fair value of the consideration received or receivable in respect of the sale of goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Turnover is recognised when the significant risks and rewards of ownership have been transferred to the customer which occurs when the products are delivered to the customer or the services have been provided to the customer, title and risk of loss have been transferred and collection of related receivables is probable.

Taxation

Current tax is the expected tax payable for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are provided in full at expected tax rates on differences arising from the recognition of income and expenditure in different periods for tax purposes from those for accounting purposes. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets and liabilities recognised have not been discounted.

Tangible assets

Tangible assets are held at historic cost less accumulated depreciation. Freehold land is not depreciated. Depreciation is calculated so as to write off the cost less the estimated residual value of other tangible fixed assets on a straight line basis over their useful lives, as follows:-

Freehold buildings	20-25 years
Plant and equipment	3 to 25 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Subsequent costs, including major inspections, are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Assets in the course of construction are stated at cost. These assets are not depreciated until it is available for use.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in net operating expenses.

Pensions

The cost of providing benefits through defined contribution pensions is charged against profits in the period in respect of which contributions become payable.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in bringing the stocks to their present location and condition, including an appropriate proportion of overheads.

Foreign currencies

Transactions in foreign currency are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling on the balance sheet date. All other exchange differences are included in the profit and loss account.

Cash flow statement

A consolidated cash flow statement is included in the financial statements of Doncasters Group Limited. Accordingly, as per FRS 102 paragraph 1.12, no cash flow statement is included within these financial statements.

Doncasters Aerospace Limited

1 Accounting policies (continued)

Intangible assets

Goodwill

Goodwill arising on acquisitions, being the excess of the purchase consideration over the fair value of the net assets acquired, is amortised on a straight line basis over twenty years. The directors perform a review of the carrying value where there is evidence of a change in circumstance that may indicate a possible impairment.

Software

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between three and five years, on a straight line basis.

Leased assets

Payments under operating leases are charged to the profit and loss account in the year payments are made.

Exceptional items

Items which are significant by virtue of their size or nature and which are considered non-recurring are classified as exceptional items. Such items are highlighted separately in the profit and loss account.

Research and development

Research and development costs are written off to the profit and loss account as incurred with the exception of expenditure on the development of certain major products where the outcome of these projects is assessed as being reasonably certain as regards viability and technical feasibility. Such expenditure is capitalised and amortised over the life of the contract commencing in the year sales of the product are first made.

Key management compensation

Key management compensation is included in the financial statements of Doncasters Group Limited, Accordingly, as per FRS 102 paragraph 1.12, no key management compensation is included within these financial statements.

Employee benefits

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution pension plans

The cost of providing benefits through defined contribution pensions is charged to the profit and loss account in the period in respect of which contributions become payable.

Defined benefit pension plans

Some employees are members of the Triplex Lloyd defined benefit pension scheme. Details of these pension arrangements are shown in the accounts of Doncasters Limited, as it is not considered practical to split out the liabilities that are associated with these employees. Amounts payable to the scheme are expensed as incurred. As a result, the scheme is treated as a defined contribution.

Doncasters Aerospace Limited

1 Accounting policies (continued)

Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and amounts owed by group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost using the effective interest method.

Critical accounting judgements and estimation uncertainty

Useful economic lives of intangible and tangible assets

The annual amortisation and depreciation charge for intangible and tangible assets respectively, is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the for tangible assets, the physical condition of the assets.

Stock provisioning

The Company considers the recoverability of the cost of stocks and the associated provisioning required. When calculating the stock provision, management considers the nature and condition of the stocks, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including: the current credit rating of the debtor; the ageing profile of debtors; and historical experience.

Doncasters Aerospace Limited

2 Turnover

The Company operates only in the United Kingdom. All of the attributable pre-tax profit derives from one class of business. An analysis of turnover, all of which arose in the United Kingdom, by geographical destination is as follows:-

	2016	2015
	£000	£000
United Kingdom	16,314	20,752
Rest of Europe	12,343	11,708
North America	711	1,437
Rest of World	9,133	12,233
	38,501	46,130

3 Exceptional items

	2016	2015
	£000	£000
Redundancy and severance	-	116

Redundancy and other reorganisation costs incurred during 2015 were restructuring of as part of a cost reduction programme. No such costs occurred during 2016.

4 Net operating expenses

	2016	2015
	£000	£000
Distribution costs	472	382
Administrative expenses	3,554	2,953
	4,026	3,335

Doncasters Aerospace Limited

5 Operating profit

Operating profit is stated after charging:

	2016	2015
	£000	£000
Depreciation of tangible fixed assets	1,383	1,286
Amortisation of goodwill	256	256
Fee payable to the Company's auditors for the audit of the Company's annual financial statements	81	89
Impairment of trade receivable	168	92
Stocks recognised as an expense	8,478	10,879
Impairment of stocks	312	254
Operating leases – land and buildings	222	230
Operating leases – plant and equipment	32	36

The Company did not incur any non-audit fees (2015: £nil). Research and development costs in the year were £1,155,000 (2015: £1,200,000).

6 Employees and directors

	2016	2015
	£000	£000
Wages and salaries	12,074	11,280
Social security costs	1,175	1,108
Other pension costs	720	738
	13,969	13,126

The other pension costs relate to payments to defined contribution schemes. Outstanding contributions at 31 December 2016 were £nil (2015: £nil).

Doncasters Aerospace Limited

6 Employees and directors (continued)

Monthly average number of employees by activity (including directors):

	2016	2015
	Number	Number
Production	344	342
Sales	6	5
Administration	21	18
	371	365

Directors

None of the directors received any remuneration specifically in respect of their services to the Company (2015: £nil).

No defined benefit contributions were paid for directors in either of the years ended 31 December 2016 or 31 December 2015.

Some employees are members of the Triplex Lloyd defined benefit pension scheme. Details of these pension arrangements are shown in the accounts of Doncasters Limited, due to them being the Company who administer the scheme, as it is not considered practical to split out the liabilities that are associated with these employees. The Company's contributions to the scheme during the year amounted to £3,500 (2015: £4,600), where this is accounted for as a defined contribution scheme, payable to Doncasters Limited. The present value of the scheme liabilities as at 31 December 2016 was £214.8 million (2015: £125.6 million). The fair value of scheme assets as at 31 December 2016 was £279.2 million (2015: £247.6 million). The net surplus of £64.4 million (2015: £62.8 million) is recognised in the Doncasters Limited accounts. It is repayable to Doncasters Limited on the winding up of the scheme, after all liabilities and pension obligations have been settled.

The most recent independent actuarial valuation of the plan was carried out as at 31 December 2016.

Outstanding contributions to pension schemes at 31 December 2016 were £nil (2015: £nil).

Doncasters Aerospace Limited

7 Taxation on profit on ordinary activities

	2016	2015
	£000	£000
Taxation on profit on ordinary activities		
Current taxation	25	10
Total current tax	25	10
Origination and reversal of timing differences	(1,491)	382
Effect of decrease in tax rate	96	235
Research and development tax credits	(25)	(10)
Total deferred tax (credit) / charge	(1,420)	607
Total tax (credit) / charge	(1,395)	617

Deferred tax balances were re-measured in 2016 due to a reduction in the UK corporate tax rate – see page 19.

Tax reconciliation:

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK of 20% (2015: 20.25%).

	2016	2015
	£000	£000
Profit on ordinary activities before taxation	407	7,356
Profit on ordinary activities multiplied by the standard rate of corporate tax in UK of 20% (2015: 20.25%)	81	1,490
Transfer pricing adjustments	666	617
Sundry disallowed expenses	8	31
Capital allowances and other timing differences	(1,217)	(48)
Deferred tax – rate change on opening balances	96	235
Amortisation of goodwill	51	52
Group relief claimed for no consideration	(1,080)	(1,760)
Total tax (credit) / charge	(1,395)	617

Doncasters Aerospace Limited

7 Taxation on profit on ordinary activities (continued)

Deferred income tax assets comprise the following:

	2016	2015
	£000	£000
Property, plant and equipment	3,128	1,733
Research and development tax credits	101	76
Total	3,229	1,809

The movement in the deferred tax balance was as follows:

	2016	2015
	£000	£000
Asset at beginning of the year	(1,809)	(2,416)
Amount (credited) / charged to profit and loss account	(1,420)	607
Asset at end of the year (note 11)	(3,229)	(1,809)

On 26 October 2015 the UK Parliament substantively enacted the Finance Act 2014, including a reduction of the UK corporate tax rate to 19% effective from 1 April 2017 and 18% effective from 1 April 2020.

On 6 September 2016 the UK Parliament substantively enacted the Finance Act 2016, including a further reduction of the UK corporate tax rate to 17% effective from 1 April 2020. Since these rates have been substantively enacted by the balance sheet date, they have been applied in calculation of the tax position of the company.

There was no unprovided deferred tax at 31 December 2016 (2015: £nil).

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8 Intangible assets

	Goodwill	Software	Total
	£000	£000	£000
Cost			
At 1 January 2016	5,115	5	5,120
Additions	-	17	17
At 31 December 2016	5,115	22	5,137
Depreciation			
At 1 January 2016	3,732	-	3,732
Charge for the year	256	7	263
At 31 December 2016	3,988	7	3,995
Net book value			
At 31 December 2016	1,127	15	1,142
At 31 December 2015	1,383	5	1,388

The goodwill arose on the acquisition of the casting facility during 2001.

Doncasters Aerospace Limited

9 Tangible assets

	Land and buildings	Plant and equipment	Total
	£000	£000	£000
Cost			
At 1 January 2016	2,068	40,690	42,758
Additions	112	2,413	2,525
Disposals	-	(1,874)	(1,874)
At 31 December 2016	2,180	41,229	43,409
Depreciation			
At 1 January 2016	1,309	35,390	36,699
Charge for the year	123	1,260	1,383
Disposals	-	(1,871)	(1,871)
At 31 December 2016	1,432	34,779	36,211
Net book value			
At 31 December 2016	748	6,450	7,198
At 31 December 2015	759	5,300	6,059

The gross book value of depreciable buildings amounted to £1.9 million at 31 December 2016 (2015: £1.9 million).

Doncasters Aerospace Limited

10 Stocks

	2016	2015
	£000	£000
Raw materials and consumables	2,357	2,407
Work in progress	6,412	5,880
Finished goods	1,048	753
	9,817	9,040

11 Debtors

	2016	2015
	£000	£000
Amounts receivable within one year:		
Trade debtors	7,548	12,914
Amounts owed by group undertakings	75,928	69,095
Other debtors	618	1,053
Prepayments and accrued income	329	350
Total receivable within one year	84,423	83,412
Amounts receivable after more than one year:		
Deferred taxation (note 7)	3,229	1,809
	87,652	85,221

Amounts owed by group undertakings are unsecured, interest free and have no fixed terms of repayment. They are valued at amortised cost using the effective interest method.

Included within amounts owed by group undertakings are £5,000 (2015: Nil) of derivative financial instruments, which are foreign exchange forward contracts placed with fellow group Company Doncasters Limited. They are measured at fair value through profit and loss, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates GBP:USD. The Company is committed to buy USD \$ 100,000 (2015: Nil) and receive a fixed sterling amount in relation to these contracts. These contracts all mature within 3 months.

All other debtors except prepayments are financial assets that are debt instruments measured at amortised cost.

Trade debtors are stated after provisions for impairment of £29,000 (2015: Nil).

Doncasters Aerospace Limited

12 Creditors: amounts falling due within one year

	2016	2015
	£000	£000
Bank overdraft	2,955	836
Trade creditors	4,964	4,776
Amounts owed to group undertakings	595	501
Other creditors	169	441
Taxation and social security	204	188
Accruals and deferred income	635	481
	9,522	7,223

Amounts owed to group undertakings are unsecured, interest free and have no fixed terms of repayment. They are valued at amortised cost using the effective interest method.

Included within amounts owed to group undertakings are £44,000 (2015: Nil) of derivative financial instruments, which are foreign exchange forward contracts placed with fellow group Company Doncasters Limited. They are measured at fair value through profit and loss, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP:USD. The Company is committed to buy USD\$ 72,000 and sell USD \$902,000 and receive a fixed sterling amount in relation to these contracts. These contracts all mature within 3 months.

All other creditors except deferred income are financial liabilities that are debt instruments measured at amortised cost.

Doncasters Aerospace Limited

13 Commitments

Operating leases

At 31 December 2016, there were annual commitments under non-cancellable operating leases with payments due in the following periods:-

	Land and buildings	Plant and equipment
	£000	£000
Less than one year	265	20
Between two and five years	707	25
More than five years	-	60
	972	105

At 31 December 2015 there were annual commitments under non-cancellable operating leases with payments due in the following periods:-

	Land and buildings	Plant and equipment
	£000	£000
Less than one year	281	26
Between two and five years	972	8
	1,253	34

14 Guarantees

The Company has given a guarantee in respect of the borrowings of Doncasters Group Limited which amounted to £1,208.7 million at 31 December 2016 (2015: £1,023.4 million).

The Company is a participant in the group banking arrangement under which all surplus cash balances are held as collateral for bank facilities advanced to group members. In addition, the Company has issued an unlimited guarantee to the banks to support these group facilities.

15 Parent company and ultimate controlling party

The immediate parent company is Doncasters Limited, a company registered in England and Wales.

The ultimate parent company and controlling party is Dubai Holding LLC, a company registered in the United Arab Emirates.

The results of Doncasters Aerospace Limited are consolidated into the financial statements of Doncasters Group Limited, a company registered in England and Wales, being the smallest entity into which these results are consolidated. The consolidated financial statements of Doncasters Group Limited may be obtained from Millennium Court, First Avenue, Burton-upon-Trent, Staffordshire, DE14 2WH.

As permitted by FRS 102 paragraph 33.1A, the Company is not required to disclose transactions with group companies qualifying as related parties. The results of Doncasters Group Limited are ultimately consolidated into the financial statements of Dubai Holding LLC, P.O. Box 66000, Dubai, United Arab Emirates, being the largest entity into which these results are consolidated.