

Radius Aerospace UK Limited
(formerly Doncasters Aerospace Limited)
Annual report and financial statements
for the year ended 31 December 2018

Registered Number: 04095261



Radius Aerospace UK Limited (formerly Doncasters Aerospace Limited)

Annual report and financial statements for the year ended 31 December 2018

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Radius Aerospace UK Limited (formerly Doncasters Aerospace Limited)

Strategic report for the year ended 31 December 2018

The directors present their strategic review on the Company for the year ended 31 December 2018.

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 increased by £5.8 million during the year ended 31 December 2018 to £46.5 million from £40.7 million for the year ended 31 December 2017. The Company achieved growth in sales due to additional aerospace sales from both growing market demand and also new products won by the business. This growth is expected to continue in 2019 given favourable market conditions. The Company has net assets of £93.2 million (31 December 2017: £96.4 million). The results for the Company show a pre-tax loss of £1.6 million for the period compared to a £0.8 million profit for the year ended 31 December 2017. The deterioration in profitability is largely driven by provisions for impairment totalling £1.5m, relating to the write down of assets in the precision investment castings division, such that the carrying value equalled the consideration received for their disposal in 2019.

Key performance indicators

The key performance indicators of the business were previously integrated with Doncasters Group Limited. The directors of Doncasters Group Limited managed 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. Following the change in control of the Company the directors review the performance of the business by considering its revenue, EBITDA and cash generated by operating activities, measures which will be separately monitored going forwards.

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 a whole is provided within the Report of the directors of the Group's annual report.

By Order of the Board



Mark Anthony Johnson
Director
20th February 2020

Radius Aerospace UK Limited (formerly Doncasters Aerospace Limited)

Directors' report for the year ended 31 December 2018

The Company's registered number is 04095261.

The directors submit their report together with the audited financial statements for the year ended 31 December 2018.

Directors

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

D Hinks (resigned 27 March 2019)

I Molyneux (resigned 15 November 2019)

L Oxnard (appointed 17 December 2018, resigned 15 November 2019)

M Johnson (appointed 15 November 2019)

B Noor (appointed 15 November 2019)

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 period and is currently in force.

Dividends

No dividends are proposed (2017: £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 £942,000 (2017: £761,000). A credit was recognised in the period of £113,000 (2017: £84,000) 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.

Radius Aerospace UK Limited (formerly Doncasters Aerospace Limited)

Directors' report for the year ended 31 December 2018 (continued)

Financial risk management

The most significant treasury exposures faced by the Company relate to the management of currency positions; these have been 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 discussion of these risks and uncertainties, in the context of the Group as a whole, is provided within the Report of the directors in the Doncasters Group Limited annual report. Further risk management policies are disclosed in the strategic report. Following the change in control the Company will seek to manage its foreign exchange exposures through the use of appropriate external derivatives, and manage its cash flow needs through a mixture of working capital management and funding from its parent entity which holds the related senior debt facilities.

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.

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.

Radius Aerospace UK Limited (formerly Doncasters Aerospace Limited)

Directors' report for the year ended 31 December 2018 (continued)

Post balance sheet events

On 30 September 2019 the Company acquired the business of the manufacturing of fabricated metal products and components for the aerospace, industrial gas turbine and military industries from Doncasters Limited (then its parent undertaking) for consideration equal to the net book value of the business assets.

On 7 October 2019 the Company sold the trade and assets of its precision investment castings division to Chard Precision Castings Limited, then a fellow group company for consideration which resulted in net book value of the assets transferred being impaired by £1.5 million.

On 15 November 2019 the entire share capital of the company was acquired by Radius Aerospace Europe Limited, a newly incorporated subsidiary of the Radius Aerospace group owned by Arlington Capital Partners. On acquisition the company changed its name from Doncasters Aerospace Limited to Radius Aerospace UK Limited. New directors were appointed at this time.

Going Concern

Radius Aerospace Europe Limited took out new senior debt facilities of \$50 million as part of the financing of the acquisition which are secured on Radius Aerospace UK Limited. In assessing going concern the directors have prepared and reviewed cash flow forecasts up until December 2021, and considered compliance against the covenants included in the debt facilities. Furthermore they have consider a level of reasonable downside sensitivities in trading and cash, and are satisfied that there are no foreseen circumstances where the company or its parent company would be in breach of its debt covenants or would not be able to meet its liabilities as they fall due.

Statement of disclosure of information to auditors

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



Mark Anthony Johnson
Director

20th February 2020

Registered Office:

Holbrook Works
Halfway, Sheffield
S20 3GB

Independent auditors' report to the members of Radius Aerospace UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Radius Aerospace UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2018; the Profit and loss account, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based

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

on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



David Teager (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
February 2020

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Profit and loss account for the year ended 31 December 2018

	Note	2018	2017
		£'000	£'000
Turnover	2	46,486	40,747
Cost of sales		(42,717)	(35,531)
Gross profit		3,769	5,216
Net operating expenses before exceptional items		(4,099)	(3,689)
Exceptional items	3	(861)	(681)
Net operating expenses after exceptional items	4	(4,960)	(4,370)
Operating (loss)/ profit	5	(1,191)	846
Interest payable		(226)	(93)
Loss on disposal of tangible fixed assets		(189)	-
(Loss)/ profit on ordinary activities before taxation		(1,606)	753
Taxation on (loss)/ profit on ordinary activities	7	(1,640)	(592)
(Loss)/ profit for the financial year		(3,246)	161

The above results arise from continuing operations.

The Company had no other comprehensive income for the financial years ended 31 December 2018 and 2017. Therefore, no separate statement of comprehensive income has been presented.

Radius Aerospace UK Limited (formerly Doncasters Aerospace Limited)

Balance sheet as at 31 December 2018

	Note	2018	2018	2017	2017
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	8	624		890	
Tangible assets	9	6,912		8,904	
			7,536		9,794
Current assets					
Stocks	10	12,826		12,720	
Debtors: amounts receivable within one year	11	83,117		89,047	
Debtors: amounts receivable after more than one year	11	1,033		2,651	
			96,976		104,418
Creditors: amounts falling due within one year	12		(9,173)		(16,165)
Net current assets			87,803		88,253
Total assets less current liabilities			95,339		98,047
Creditors: amounts falling due after more than one year	13		(2,137)		(1,599)
Net assets			93,202		96,448
Capital and reserves					
Called up share capital			1,500		1,500
Profit and loss account			91,702		94,948
Total shareholders' funds			93,202		96,448

The financial statements on pages 8 to 27 were approved by the board of directors on 20th February 2020 and were signed on its behalf by:


Mark Anthony Johnson
20th February 2020

Statement of changes in equity for the year ended 31 December 2018

	Called up share capital	Profit and loss account	Total
	£'000	£'000	£'000
Balance at 1 January 2017	1,500	94,787	96,287
Profit for the year ended 31 December 2017	-	161	161
Balance at 31 December 2017	1,500	94,948	96,448
Loss for the year ended 31 December 2018	-	(3,246)	(3,246)
Balance at 31 December 2018	1,500	91,702	93,202

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

The notes on pages 11 to 27 are an integral part of these financial statements.

Radius Aerospace UK Limited (formerly Doncasters Aerospace Limited)

Notes to the financial statements for the year ended 31 December 2018

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 periods presented.

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

The individual financial statements of Radius Aerospace UK Limited have also adopted the following disclosure exemptions:

- categories of financial instruments;
- key management personnel disclosure;
- items of income, expenses, gains or losses relating to financial instruments;
- exposure to and managements of financial risks;
- the requirement to present a statement of cash flows and related notes; and
- related party disclosures relating to transactions entered into between two or more wholly owned members of the group.

Going Concern

Radius Aerospace Europe Limited took out new senior debt facilities of \$50 million as part of the financing of the acquisition which are secured on Radius Aerospace UK Limited. In assessing going concern the directors have prepared and reviewed cash flow forecasts up until December 2021, and considered compliance against the covenants included in the debt facilities. Furthermore they have consider a level of reasonable downside sensitivities in trading and cash, and are satisfied that there are no foreseen circumstances where the company or its parent company would be in breach of its debt covenants or would not be able to meet its liabilities as they fall due.

Radius Aerospace UK Limited (formerly 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.

Radius Aerospace UK Limited (formerly Doncasters Aerospace Limited)

1 Accounting policies (continued)

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. Stocks are net of the stock provision, which is detailed on page 16.

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.

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are recognised as non-current assets of the company at their fair value at the date of commencement of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Payments under operating leases are charged to the profit and loss account in the period 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 period 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.

Radius Aerospace UK Limited (formerly Doncasters Aerospace Limited)

1 Accounting policies (continued)

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

Financial instruments

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

Financial assets

Financial derivatives are measured at fair value through profit and loss. All other financial assets are measured 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

Financial derivatives are measured at fair value through profit and loss. All other 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.

Radius Aerospace UK Limited (formerly Doncasters Aerospace Limited)

1 Accounting policies (continued)

Critical accounting judgements and estimation uncertainty

The directors do not consider there to be any critical accounting judgements. The following is a summary of all critical accounting estimates the directors have considered in preparing the financial statement.

Useful economic lives of intangible and tangible assets

The 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 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.

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:-

	2018	2017
	£'000	£'000
United Kingdom	22,586	19,569
Rest of Europe	11,505	10,997
North America	1,492	1,360
Rest of the world	10,903	8,821
	46,486	40,747

Radius Aerospace UK Limited (formerly Doncasters Aerospace Limited)

3 Exceptional items

	2018	2017
	£'000	£'000
Business disruption	-	681
Redundancy and other reorganisation costs	734	-
Claims, settlements and litigation costs	100	-
Other	27	-
	861	681

Redundancy and other reorganisation costs were largely incurred as a result of significant restructuring of certain sites as part of a cost reduction programme.

Claims, settlements and litigation costs relate to customer claims associated with contractual terms of specific long-term agreements.

In 2017 the company experienced a one-off business disruption for a short period of time during the final quarter of the year which affected production at a certain number of sites and deliveries to customers. All facilities were reinstated without issue and deliveries made to customers. The costs incurred and shown as exceptional items included lost production time and one-off costs directly associated with the event.

4 Net operating expenses

	2018	2017
	£'000	£'000
Distribution costs	394	431
Administrative expenses	4,566	3,939
	4,960	4,370

Radius Aerospace UK Limited (formerly Doncasters Aerospace Limited)

5 Operating profit

Operating profit is stated after charging:

	2018	2017
	£'000	£'000
Depreciation of tangible fixed assets	1,958	1,712
Amortisation of intangible assets	266	265
Audit fees payable to the company's auditors	91	84
Impairment of trade receivables	37	14
Inventory recognised as an expense	8,070	8,179
Impairment of inventory (included in 'cost of sales')	1,618	(153)
Impairment of tangible fixed assets	1,000	-
Operating lease charges - land and buildings	316	213
Operating lease charges - plant and equipment	23	29

The Company did not incur any non-audit fees (2017: £Nil). Research and development costs in the period were £942,000 (2017: £761,000).

6 Employees and directors

Employees

Staff costs in the year were as follows:

	2018	2017
	£'000	£'000
Wages and salaries	14,033	13,450
Social security costs	1,403	1,347
Other pension costs	842	765
	16,278	15,562

The other pension costs relate to payments to defined contribution schemes. Outstanding contributions at 31 December 2018 were £Nil (2017: £Nil).

Radius Aerospace UK Limited (formerly Doncasters Aerospace Limited)

6 Employees and directors (continued)

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

By activity	2018	2017
	Number	Number
Production	365	364
Sales	9	8
Administration	28	25
	402	397

Directors

None of the directors received any remuneration specifically in respect of their services to the Company (2017: £Nil).

No defined benefit contributions were paid for directors in either the year ended 31 December 2018 or 2017.

Post-employment benefits

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 period amounted to £Nil (2017: £Nil), 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 2018 was £197.5 million (2017: £208.7 million). The fair value of scheme assets as at 31 December 2018 was £221.2 million (2017: £279.6 million). The net surplus of £23.7 million (2017: £71.0 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 2018 were £Nil (2017: £Nil).

Radius Aerospace UK Limited (formerly Doncasters Aerospace Limited)

7 Taxation on (loss)/ profit on ordinary activities

	2018	2017
	£'000	£'000
Taxation on (loss)/ profit on ordinary activities		
Current taxation	22	14
Total current taxation	22	14
Origination and reversal of timing differences	1,524	592
Effect of decrease in tax rate	-	-
Research and development tax credit	94	(14)
Total deferred tax charge	1,618	578
Total tax charge	1,640	592

Tax reconciliation:

The tax assessed for the year is higher (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

	2018	2017
	£'000	£'000
(Loss)/ profit on ordinary activities before taxation	(1,606)	753
(Loss)/ profit on ordinary activities multiplied by the standard rate of corporate tax in the UK of 19% (2017: 19.25%)	(305)	145
Transfer pricing adjustments	620	676
Sundry disallowed expenses	289	4
Capital allowances and other timing differences	1,489	(76)
Amortisation of goodwill	49	49
Group relief claimed for no consideration	(502)	(206)
Total tax charge	1,640	592

Radius Aerospace UK Limited (formerly Doncasters Aerospace Limited)

7 Taxation on profit on ordinary activities (continued)

Deferred income tax assets comprise the following:

	2018	2017
	£'000	£'000
Property, plant and equipment	1,012	2,536
Research and development tax credits	21	115
Total	1,033	2,651

The movement in the deferred tax balance was as follows:

	2018	2017
	£'000	£'000
Asset at beginning of the year	2,651	3,229
Amount charged to profit and loss account	(1,618)	(578)
Asset at end of the year (note 11)	1,033	2,651

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 2018 (2017: £Nil).

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8 Intangible assets

	Goodwill	Software	Total
	£'000	£'000	£'000
Cost			
At 1 January 2018	5,115	35	5,150
Additions	-	-	-
At 31 December 2018	5,115	35	5,150
Amortisation			
At 1 January 2018	4,243	17	4,260
Charge for the year	256	10	266
At 31 December 2018	4,499	27	4,526
Net book value			
At 31 December 2018	616	8	624
At 31 December 2017	872	18	890

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

Radius Aerospace UK Limited (formerly Doncasters Aerospace Limited)

9 Tangible assets

	Land and buildings	Plant and equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January 2018	2,220	42,648	44,868
Additions	26	1,210	1,236
Disposals	-	(4,475)	(4,475)
At 31 December 2018	2,246	39,383	41,629
Depreciation and impairment			
At 1 January 2018	1,555	34,409	35,964
Depreciation charge for the year	88	1,870	1,958
Impairments	-	1,000	1,000
Disposals	-	(4,205)	(4,205)
At 31 December 2018	1,643	33,074	34,717
Net book value			
At 31 December 2018	603	6,309	6,912
At 31 December 2017	665	8,239	8,904

The gross book value of depreciable buildings amounted to £1.7 million at 31 December 2018 (2017: £1.8 million).

An impairment of £1.0 million has been recorded for the Company's precision investment castings division. The assets have been written down to their estimated value-in-use.

The net carrying amount of assets held under finance leases included in plant and machinery is £2,323,000 at 10 December 2018 (2017: £2,117,000).

Radius Aerospace UK Limited (formerly Doncasters Aerospace Limited)

10 Stocks

	2018	2017
	£'000	£'000
Raw materials and consumables	3,093	2,836
Work in progress	8,130	8,432
Finished goods	1,603	1,452
	12,826	12,720

11 Debtors

	2018	2017
	£'000	£'000
Amounts receivable within one year		
Trade debtors	12,612	9,875
Amounts owed by group undertakings	69,495	78,007
Other debtors	499	559
Prepayments and accrued income	511	606
Total amounts receivable within one year	83,117	89,047
Amounts receivable after more than one year		
Deferred taxation (note 7)	1,033	2,651
	84,150	91,698

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.

Radius Aerospace UK Limited (formerly Doncasters Aerospace Limited)

11 Debtors (continued)

Included within amounts owed by group undertakings are £9,000 (2017: £136,000) 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 and GBP:EUR. The Company is committed to buy €3,000 and USD \$421,000 (2017: \$65,000 and €nil) and sell USD \$2,858,000 (2017: \$4,551,000) 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.

12 Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Bank overdraft	1,644	7,417
Trade creditors	4,597	5,552
Net obligations under finance leases (note 14)	-	356
Amounts owed to group undertakings	890	576
Other creditors	399	506
Taxation and social security	343	235
Accruals and deferred income	1,300	1,523
	9,173	16,165

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 £50,000 (2017: £9,000) 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 and GBP:EUR. The Company is committed to buy USD\$245,000 (2017: \$683,000) and €nil (2017: €5,000) and sell USD \$2,858,000 (2017: \$145,000) 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.

Radius Aerospace UK Limited (formerly Doncasters Aerospace Limited)

13 Creditors: amounts falling due after more than one year

	2018	2017
	£'000	£'000
Net obligations under finance leases (note 14)	2,137	1,599

14 Finance leases

The future minimum finance lease payments are as follows:

	2018	2017
	£'000	£'000
Not later than one year	690	525
Later than one year and not later than five years	1,842	1,893
Later than five years	-	-
Total gross payments	2,532	2,418
Less: finance charges	(395)	(463)
Carrying amount of liability	2,137	1,955

The finance leases relate to various items of plant and equipment. The expiry date of the leases is between three and four years of the balance sheet date. There is the option on certain leases for the company to purchase the plant and equipment at the expiry of the lease for a nominal amount.

Radius Aerospace UK Limited (formerly Doncasters Aerospace Limited)

15 Commitments

Operating leases

At 31 December 2018, 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	273	205
Between two and five years	182	307
More than five years	-	-
	455	512

At 31 December 2017 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	13
Between two and five years	442	19
More than five years	-	51
	707	83

16 Guarantees

The Company has given a guarantee in respect of the borrowings of Doncasters Group Limited which amounted to £1,100.9 million at 31 December 2018 (2017: £1,232.0 million).

Prior to the change in control the Company was 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. Following the acquisition of the Company by Radius Aerospace Europe Limited on 15 November 2019 these banking arrangements and guarantee no longer apply to the Company.

Radius Aerospace UK Limited (formerly Doncasters Aerospace Limited)

17 Parent company and ultimate controlling party

The immediate parent company is Radius Aerospace Europe Limited, a company registered in England and Wales. The immediate parent company prior to Radius Aerospace Europe Limited, throughout 2018 and until 15 November 2019 was Doncasters Limited. The ultimate parent company and controlling party is Arlington Capital Partners following the acquisition of the Company by Radius Aerospace Europe Limited on 15 November 2019.

The ultimate parent company and controlling party until 15 November 2019 was Dubai Holding LLC, a company registered in the United Arab Emirates.

The results of Radius Aerospace UK Limited for 2018 were 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 Repton House, Bretby Business Park, Ashby Road, Burton-upon-Trent, Staffordshire DE15 0YZ.

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.

18 Events after the end of the reporting period

On 30 September 2019 the Company acquired the business of the manufacturing of fabricated metal products and components for the aerospace, industrial gas turbine and military industries from Doncasters Limited (then its parent undertaking) for consideration equal to the net book value of the business assets.

On 7 October 2019 the Company sold the trade and assets of its precision investment castings division to Chard Precision Castings Limited, then a fellow group company for consideration which resulted in net book value of the assets transferred being impaired by £1.5 million.

On 15 November 2019 the entire share capital of the company was acquired by Radius Aerospace Europe Limited, a newly incorporated subsidiary of the Radius Aerospace group owned by Arlington Capital Partners. On acquisition the company changed its name from Doncasters Aerospace Limited to Radius Aerospace UK Limited. New directors were appointed at this time.