

**DONCASTERS MIDDLE EAST LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**(Registered in England and Wales. Number 1316397)**



## **DONCASTERS MIDDLE EAST LIMITED**

### **DIRECTORS' REPORT**

The directors submit their annual report together with the financial statements for the year ended 31 December 2006

#### **Principal activities**

The principal activity of the company is manufacturing services and support

#### **Business review**

The company was acquired, with its then ultimate parent company Doncasters 456 Limited (formerly Doncasters Group Limited), by Dundee Holdco 4 Limited on 4 May 2006. Further details of the acquisition are shown in the accounts of Doncasters Group Limited (formerly Dundee Holdco Limited) the new parent company for the group.

Sales for the company during 2006 were £5.9 million (Year ended 31 December 2005 - £8.5 million). Pre-tax profit for 2006 amounted to £954,000 (Year ended 31 December 2005 - £1.4 million). The company has a collaboration contract with a major customer and provided services and support in respect of manufacturing specific industrial gas turbine components for power generation.

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to competition from other suppliers to the market and the environment in which the company operates. Management monitor these risks on a regular basis. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided within the Chief Executive's report and Report of the directors of the group's annual report which does not form part of this report.

The directors of Doncasters Group Limited manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not appropriate for an understanding of the development, performance or position of the company. Further discussion of the performance of the group, which includes the company, is provided within the Chief Executive's report of the group's annual report which does not form part of this report.

No dividends are proposed (Year ended 31 December 2005 – nil)

The auditors' remuneration has been paid by Doncasters Limited. The company has not incurred any non-audit fees (Year ended 31 December 2005 – nil)

#### **Directors and directors' interests**

The directors who have served during the year are as follows

E J Lewis  
M J Schurch  
H W Jackson

None of the directors at 31 December 2006 held any interests in the shares of the company

**DONCASTERS MIDDLE EAST LIMITED**

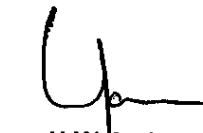
**DIRECTORS' REPORT**

(continued)

**Post balance sheet events**

On 15 May 2007 new loan arrangements were put in place by the Doncasters Group. These new loan arrangements amounted to £780.0 million of secured loans and replaced the previous secured loan borrowings of £410.6 million and £50.0 million of the unsecured subordinated loan notes. In addition, there are further credit facilities available to the Group amounting to £160.0 million. These new loan facilities are repayable under various repayment profiles with a latest final maturity date of October 2017.

By Order of the Board



**H W Jackson**  
Company Secretary

Registered Office  
28-30 Derby Road  
Melbourne  
Derbyshire  
DE73 8FF

6 August 2007

**DONCASTERS MIDDLE EAST LIMITED**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO**  
**THE FINANCIAL STATEMENTS**

The following statement, which should be read in conjunction with the auditors' statement of auditors' responsibilities set out on page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year

The directors consider that in preparing the financial statements, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed. The directors are required to use a going concern basis in preparing the financial statements unless this is inappropriate

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and to detect fraud and other irregularities

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware and they have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

### **Independent Auditors' Report to the Members of Doncasters Middle East Limited**

We have audited the financial statements of Doncasters Middle East Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet, the movement in shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies stated therein.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements. In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and, other transactions is not disclosed.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of the profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Birmingham

6 August 2007

**DONCASTERS MIDDLE EAST LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

	<u>Note</u>	Year ended 31 December 2006	Year ended 31 December 2005
		<u>£000</u>	<u>£000</u>
Turnover			
Continuing operations	2	5,856	8,544
Cost of sales	3	<u>(3,728)</u>	<u>(3,203)</u>
Gross profit		2,128	5,341
Net operating expenses	3	<u>(1,174)</u>	<u>(3,942)</u>
Profit on ordinary activities before taxation		954	1,399
Tax on profit on ordinary activities	4	<u>133</u>	<u>(155)</u>
Profit for the financial year	9	<u><u>1,087</u></u>	<u><u>1,244</u></u>

A statement of movements on reserves is set out in note 9

The company has no recognised gains or losses other than the profit or loss for the financial year

There is no material difference between the results disclosed in the profit and loss account above and the results on an unmodified historical cost basis

**DONCASTERS MIDDLE EAST LIMITED**

**BALANCE SHEET**

**AS AT 31 DECEMBER 2006**

	<u>Note</u>	31 December 2006 <u>£000</u>	31 December 2005 <u>£000</u>
<b>Current assets</b>			
Debtors – amounts due within one year	5	11,911	6,514
Stocks	6	49	2,030
Cash at bank and in hand		<u>272</u>	<u>281</u>
		12,232	8,825
<b>Creditors amounts falling due within one year</b>	7	(9,284)	(6,964)
<b>NET ASSETS</b>		<u>2,948</u>	<u>1,861</u>
<b>Capital and reserves</b>			
Called up share capital	8	—	—
Profit and loss account	9	<u>2,948</u>	<u>1,861</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>2,948</u>	<u>1,861</u>

The notes on pages 8 to 11 form part of these financial statements

  
**M J SCHURCH**  
**DIRECTOR**

**6 August 2007**

**DONCASTERS MIDDLE EAST LIMITED**

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

	Year ended 31 December 2006	Year ended 31 December 2005
	<u>£000</u>	<u>£000</u>
Shareholders' funds at beginning of year	1,861	617
Profit for the financial year	<u>1,087</u>	<u>1,244</u>
Shareholders' funds at end of year	<u>2,948</u>	<u>1,861</u>



## **DONCASTERS MIDDLE EAST LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 DECEMBER 2006**

#### **1 Accounting policies**

##### **(a) Basis of preparation of the financial statements**

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards in the United Kingdom. As required under FRS 18 ("Accounting Policies") the Board has reviewed the accounting policies adopted in the financial statements and consider them to be the most appropriate for the company.

##### **(b) Turnover**

Turnover represents the value of goods supplied, work done and services rendered, excluding value added tax.

Revenue and profit derived from the transfer of technology is recognised when the transfer takes place. Each part of the technology transfer has been assigned an equal value. The revenue derived from the sale of raw materials is recognised at the point of delivery of the goods. Full provision on any loss making parts of the contract are recognised in the year in which they are foreseen.

##### **(c) Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated into sterling at year end exchange rates or contracted rates where appropriate. Exchange differences arising on the retranslation of these assets and liabilities are taken to reserves. All other exchange differences are included in the profit and loss account.

##### **(d) Cash flow statement**

A consolidated cash flow statement prepared in accordance with Financial Reporting Standard 1 (Revised) is included in the financial statements of Doncasters Group Limited (formerly Dundee Holdco Limited).

#### **2 Segmental analysis**

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 by geographical destination is as follows -

	Year ended 31 December 2006 <u>£000</u>	Year ended 31 December 2005 <u>£000</u>
Rest of world	<u>5,856</u>	<u>8,544</u>
	<u>5,856</u>	<u>8,544</u>

**DONCASTERS MIDDLE EAST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

(continued)

**3 Operating costs**

	Year ended 31 December 2006 £000	Year ended 31 December 2005 £000
Continuing operations		
Cost of sales	<u>3,728</u>	<u>3,203</u>
Net operating expenses		
Administrative expenses	<u>1,174</u>	<u>3,942</u>
	<u>1,174</u>	<u>3,942</u>

**4 Taxation**

	Year ended 31 December 2006 £000	Year ended 31 December 2005 £000
Tax on profit for the year		
Current taxation	287	420
Prior year adjustments	<u>(420)</u>	<u>(265)</u>
Corporation tax (credit)/charge at 30 0%	<u>(133)</u>	<u>155</u>

The prior year adjustments relate to group relief claimed for which no consideration was paid

**Tax reconciliation**

	Year ended 31 December 2006 £000	Year ended 31 December 2005 £000
Profit before taxation	<u>954</u>	<u>1,399</u>
Tax at 30 0%	287	420
Prior year adjustments	<u>(420)</u>	<u>(265)</u>
Total tax (credit)/charge	<u>(133)</u>	<u>155</u>

**5 Debtors**

	31 December 2006 £000	31 December 2005 £000
Amounts due within one year		
Trade debtors (net)	3,217	4,469
Amounts owed by group undertakings	8,412	2,045
Other debtors	<u>282</u>	<u>—</u>
	<u>11,911</u>	<u>6,514</u>

**6 Stocks**

	31 December 2006 £000	31 December 2005 £000
Raw materials and consumables	<u>49</u>	<u>2,030</u>

**DONCASTERS MIDDLE EAST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

(continued)

7 Creditors Amounts falling due within one year

	31 December 2006 £000	31 December 2005 £000
Amounts owed to group undertakings	8,100	6,124
Corporation tax	287	420
Other creditors	803	420
Other accruals	94	—
	<u>9,284</u>	<u>6,964</u>

8 Called up share capital

	31 December 2006 £	31 December 2005 £
Authorised 100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid 100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

9 Reserves

	Profit And loss account £000
At beginning of year	1,861
Profit for the year	<u>1,087</u>
At end of year	<u>2,948</u>

10 Employees and directors

The company had no employees during the year (Year ended 31 December 2005 – nil)

Directors

None of the directors received any remuneration specifically in respect of their services to the company (Year ended 31 December 2005 – nil)

No defined benefit contributions were paid in the year ended 31 December 2006 (Year ended 31 December 2005 – nil)

**DONCASTERS MIDDLE EAST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

(continued)

**11 Parent company**

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

The ultimate parent company is Dubai Holding LLC

The results of Doncasters Middle East Limited are consolidated into the financial statements of Doncasters Group Limited, a company registered in England and Wales. The consolidated financial statements of Doncasters Group Limited (formerly Dundee Holdco Limited) may be obtained from 28-30 Derby Road, Melbourne, Derbyshire DE73 8FF. Accordingly, as permitted by FRS 8 Related Party Disclosures, the company is not required to disclose transactions with Group companies qualifying as related parties

**12 Post balance sheet events**

On 15 May 2007 new loan arrangements were put in place by the Doncasters Group. These new loan arrangements amounted to £780.0 million of secured loans and replaced the previous secured loan borrowings of £410.6 million and £50.0 million of the unsecured subordinated loan notes. In addition, there are further credit facilities available to the Group amounting to £160.0 million. These new loan facilities are repayable under various repayment profiles with a latest final maturity date of October 2017.