Arlington Industries Limited

Annual report and consolidated financial statements

Registered number 08741538

For the year ended 31 March 2015

Contents

Strategic report

Review of the business and future developments

The Arlington Industries Limited Group was founded in the UK in 2013 with the goal of becoming one of the leading supply chain Group of companies in the automotive, aerospace and related sectors.

The Group embarked on its journey on 12 December 2013 with the acquisition of the automotive business of Remploy Limited, through its subsidiary Rempower Limited, and the purchase of the whole of the of the issued share capital of Aim Engineering Ltd, through its subsidiary Arlington Technologies Limited. Since 31 March 2014, the Group has acquired Aerotech Design Consultants Limited which will enhance the Group's design capabilities, particularly in the aerospace sector. The Group's strategy is to actively explore other similar opportunities in the future.

Results and key performance indicators (KPIs)

The turnover for the year to 31 March 2015 was £92,246,999 *(period ended 31 March 2014: £23,975,000)*. A main KPI utilised by the group is EBITDA. During the year, the group reported underlying EBITDA of £2,529,000 *(period ended 31 March 2014: £904,*000 *prior to charging non-recurring deal costs and recognising bargain purchase gains)*.

Sales, EBITDA and cash flow compared to budget are the KPIs upon which management is focused.

Principal risks and uncertainties

The group is a supplier to the aerospace and automotive industries and the principal risk to the business is the health of these markets. All the market surveys available to the company predict a healthy growth in both the UK aerospace and automotive markets for the next five years.

The strengthening of the pound sterling provides some uncertainty as to future earnings; the group manages this risk by endeavouring to match exposure to currencies.

The monitoring of accounts receivable and payable ensures that the business effectively controls its working capital.

At a local level the attention to recording continuous improvement in working practices will enable the company to attain additional business.

The Group has successfully renewed the CID facilities with similar terms to those existing until 2019.

Employees

Employment of disabled persons

Where individuals become disabled whilst in the group's employment, every reasonable effort is made to provide opportunity for continued employment within the potential aptitude and ability of the person concerned and to provide such facilities, including any appropriate training, as may be necessary for that purpose.

In dealing with applications for employment and the training, career development and promotion of existing employees, efforts are made to ensure that a disabled individual's potential aptitude and ability are considered both without prejudice and as constructively as possible in relation to the opportunities available.

Employee consultation and involvement

The group recognises that training and free flow of communications are the key elements in involving all employees, to get the best out of them at all levels in the business and in making those improvements in performance which will advance its international competitiveness.

Frequent briefings continue to enable employees to understand more about the business and about the essential part they have to play in its success. Incentive schemes are in place to encourage involvement in the company's performance.

Strategic report *(continued)*

Employees *(continued)*

Equal opportunities

The group is committed to providing equal opportunities in employment regardless of sex, marital status, creed, colour, race, age, nationality or ethnic origin. This applies to recruitment, training, promotion and all other aspects of employment. Only in this way can the company deploy its personnel to best effect, for the benefit of the business and its employees alike.

By order of the board

M Franckel
Director

22 December 2015

Directors' report

The directors present their audited financial statements for the year ended 31 March 2015.

Principal activities

The company is a holding company which, through its subsidiaries provides manufacturing and consolidation services to the automotive industry and supplies precision tooling engineering to the aerospace industry.

Proposed dividend

The directors do not recommend the payment of a dividend *(period ended 31 March 2014: £Nil)*.

Directors

The directors who held office during the year were as follows:

B Michelson	
PG Pizzani	
GL Hamlin	
KT Morley	
DG Roberts	(resigned 1 October 2015)
MI Merryweather	(resigned 26 October 2015)
MB Franckel	(appointed 20 December 2014)
SG Greenhalgh	(appointed 1 October 2015)

Political contributions

The group made no political donations or incurred any political expenditure during the current year or preceding period.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

M Franckel
Director

79 Torrington Avenue
Coventry
CV4 9AQ

22 December 2015

Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements

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

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis

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 group and parent company and of their profit or loss for that period.

In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs, as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Independent auditor's report to the members of Arlington Industries Limited

We have audited the financial statements of Arlington Industries Limited for the year ended 31 March 2015 set out on pages 7 to 40. The financial reporting framework that has been applied in the preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2015 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards; as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRS, as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006.
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Arlington Industries Limited *(continued)*

Matters on which we are required to report by exception

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

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

John Leech (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

22 December 2015

Consolidated Statement of Profit and Loss

for the year ended 31 March 2015

	Note	**Year ended 31 March 2015 £000**	Period ended 31 March 2014 £000
Revenue	*1,3*	**92,246**	23,975
Cost of sales		**(81,430)**	(21,666)
Gross profit		**10,816**	2,309
Administrative expenses	*4*	**(10,306)**	(2,432)
Operating profit/(loss)		**510**	(123)
Gain on bargain purchase	*2*	**-**	1,841
Financial expenses	*7*	**(2,315)**	(488)
(Loss)/profit before tax		**(1,805)**	1,230
Income tax expense	*8*	**(249)**	(281)
(Loss)/profit for the year		**(2,054)**	949

The accompanying notes on pages 14 to 40 form an integral part of these financial statements.

The results above relate to continuing operations.

The company has no other income or expenses recognised in the current year or preceding period, other than those shown in the Consolidated Statement of Profit and Loss shown above.

Consolidated balance sheet
at 31 March 2015

	Note	**2015**	2014
		£000	£000
Non-current assets			
Property, plant and equipment	*9*	**6,991**	7,012
Intangible assets	*2,10*	**13,765**	9,235
		20,756	16,247
Current assets			
Inventories	*13*	**3,963**	3,074
Trade and other receivables	*14*	**32,267**	19,659
Cash and cash equivalents	*15*	**748**	2,163
		36,978	24,896
Total assets		**57,734**	41,143
Current liabilities			
Other interest-bearing loans and borrowings	*16*	**12,762**	3,262
Trade and other payables	*18*	**25,138**	20,784
Provisions	*19*	**289**	289
		38,189	24,335
Non-current liabilities			
Other interest-bearing loans and borrowings	*16*	**17,750**	12,910
Provisions	*12*	**500**	500
Deferred tax liabilities		**-**	49
		18,250	13,459
Total liabilities		**56,439**	37,794
Net assets		**1,295**	3,349
Equity attributable to equity holders of the parent			
Share capital	*20*	**2,400**	2,400
Retained earnings		**(1,105)**	949
Total equity		**1,295**	3,349

These financial statements were approved by the board of directors on 22 December 2015 and were signed on its behalf by:

M Franckel
Director

Company registered number: 8741538

Company balance sheet
at 31 March 2015

	Note	**2015**	2014
		£000	£000
Non-current assets			
Investments	*11*	**-**	-
Intangible assets	*2,10*	**550**	550
		550	550
Current assets			
Trade and other receivables	*14*	**5,697**	5,697
Cash and cash equivalents	*15*	**1**	1
		5,698	5,698
Total assets		**6,248**	6,248
Non-current liabilities			
Other interest-bearing loans and borrowings	*16*	**6,348**	3,848
Total liabilities		**6,348**	3,848
Net (liabilities)/assets		**(100)**	2,400
Equity attributable to equity holders of the parent			
Share capital	*20*	**2,400**	2,400
Retained earnings		**(2,500)**	-
Total (deficit)/equity		**(100)**	2,400

These financial statements were approved by the board of directors on 7 2December 2015 and were signed on its behalf by:

M Franckel
Director

Company registered number: 8741538

Statement of Changes in Equity

Group

	Share capital £000	Retained earnings £000	Total equity £000
Balance on incorporation	-	-	-
Total comprehensive income for the period			
Profit or loss	-	949	949
Total comprehensive income for the period	-	949	949
Transactions with owners, recorded directly in equity			
Issue of shares	2,400	-	2,400
Total contributions by owners	2,400	-	2,400
Balance at 31 March 2014	2,400	949	3,349
Balance at 1 April 2014	**2,400**	**949**	**3,349**
Total comprehensive loss for the year			
Profit or loss	-	(2,054)	(2,054)
Total comprehensive loss for the year	-	(2,054)	(2,054)
Balance at 31 March 2015	**2,400**	**(1,105)**	**1,295**

Statement of Changes in Equity *(continued)*

Company

	Share capital £000	Retained earnings £000	Total equity £000
Balance on incorporation	-	-	-
Total comprehensive income for the period			
Profit or loss	-	-	-
Total comprehensive income for the period	-	-	-
Transactions with owners, recorded directly in equity			
Issue of shares	2,400	-	2,400
Total contributions by owners	2,400	-	2,400
Balance at 31 March 2014	**2,400**	-	**2,400**
Balance at 1 April 2014	2,400	-	2,400
Total comprehensive loss for the year			
Profit or loss	-	(2,500)	(2,500)
Total comprehensive loss for the year	-	(2,500)	(2,500)
Balance at 31 March 2015	**1,400**	**(2,500)**	**(100)**

Consolidated cash flow statement
for the period ended 31 March 2015

	Note	Year ended 31 March 2015 £000	Period ended 31 March 2014 £000
Cash flows from operating activities			
(Loss)/profit for the year		**(2,054)**	949
Adjustments for:			
Depreciation and amortisation	*9,10*	**2,019**	285
Financial expense	*7*	**2,315**	488
Taxation	*8*	**249**	281
Gain on bargain purchase	*2*	**-**	(1,841)
Foreign exchange		**577**	21
		3,106	183
Increase in trade and other receivables		**(20,298)**	(19,733)
Increase in inventories		**889**	(3,074)
Increase in trade and other payables		**4,056**	20,785
Increase in provisions		**-**	789
		(12,247)	(1,050)
Interest paid		**(786)**	(124)
Net cash from operating activities		**(13,033)**	(1,174)
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	*2*	**(2,900)**	(11,139)
Acquisition of a business		**-**	(4,000)
Acquisition of property, plant and equipment	*9*	**(713)**	(96)
Net cash from investing activities		**(3,613)**	(15,235)
Cash flows from financing activities			
Proceeds from the issue of share capital	*20*	**-**	2,400
Proceeds from new loans	*16*	**15,710**	16,456
Repayment of borrowings		**-**	(241)
Payment of finance lease liabilities		**(479)**	(43)
Net cash from financing activities		**15,231**	18,572
Net (decrease)/ increase in cash and cash equivalents		**(1,415)**	2,163
Cash and cash equivalents at 31 March 2014		**2,163**	-
Cash and cash equivalents at 31 March 2015	*15*	**748**	2,163

Company cash flow statement

for the period ended 31 March 2015

	Note	Year ended 31 March 2015 £000	Period ended 31 March 2014 £000
Cash flows from operating activities			
(Loss)/profit for the year		(2,500)	-
Adjustments for:			
Increase in trade and other receivables		-	(5,697)
Net cash from operating activities		(2,500)	(5,697)
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	2	-	(550)
Net cash from investing activities		-	(550)
Cash flows from financing activities			
Proceeds from the issue of share capital	20	-	2,400
Proceeds from new loans	16	-	3,848
Issue of new loan to subsidiary		2,500	-
Net cash from financing activities		2,500	6,248
Net increase in cash and cash equivalents		-	1
Cash and cash equivalents at 31 March 2014		1	-
Cash and cash equivalents at 31 March 2015	15	1	1

Notes
(forming part of the financial statements)

1 Accounting policies

Arlington Industries Limited (the "Company") is a company incorporated and domiciled in the UK.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The parent company financial statements present information about the Company as a separate entity and not about its group.

Both the parent company financial statements and the group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the parent company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate. The directors have reviewed the order pipeline, sales orders and cash position of the Group and have satisfied themselves that the Group and the company will be able to meet external liabilities as they fall due for payment for at least 12 months following the date of signing of these financial statements.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments

Investments are carried at cost less any provision for impairment.

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement,. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Notes *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company (or group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company (or group); and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are reviewed for impairments once permanent losses on future cash flows attributable to those assets are identified.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at historic costs, less any impairment losses.

Notes *(continued)*

1 Accounting policies *(continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Buildings	50 years
Leasehold properties	life of lease
Plant and equipment	4 - 10 years
Motor vehicles	4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Business combinations

All] business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Research and development

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Notes *(continued)*

1 Accounting policies *(continued)*

Revenue recognition and contract accounting

Revenue from the sale of goods and services in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement and contracts. Usually transfer occurs when the contract terms are met.

The value of contract work in progress comprises the costs incurred on contracts plus an appropriate proportion of overheads and attributable profit. Fees invoiced on account are deducted from the value of work in progress and the balance is separately disclosed in trade receivables as amounts recoverable on contracts, unless such fees exceed the value of the work in progress on any contract, when the excess is separately disclosed in trade and other payables as fees invoiced in advance. Profit is recognised on a percentage completion basis when the outcome of a contract or project can be reasonably foreseen. Costs incurred before it becomes probable that a contract will be obtained are charged to expenses. Directly attributable costs incurred after that point are recognised in the balance sheet and charged to the income statement over the duration of the contract.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss 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 tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The principal accounting estimates, assumptions and judgements employed in the preparation of these financial statements which could affect the carrying amounts of assets and liabilities at the balance sheet date are as follows:

Judgements

- Carrying value and useful economic life of other intangible assets
- Revenue recognition on new revenue streams
- Assessment of the fair value of assets and liabilities acquired in business combinations

Estimations

Customer relationships

The assessment of the future economic benefits generated from acquired customer relationships and the determination of the related amortisation profit involves a significant degree of judgement based on management estimation of future potential revenue and profit and the useful lives of the assets.

Current asset provisions

Judgement is used by management to establish the net realisable value of various elements of working capital, principally inventory and trade receivables. Provisions are established for net realisable value and bad and doubtful debt risks. Provisions are based on the facts available at the time and applied to inventory and aged receivables.

In estimating the net realisable value of inventory, judgement is required in assessing their likely value on realisation taking into account market and technological changes.

In estimating the collectability of trade receivables, judgement is required in assessing their likely realisation, including the current creditworthiness of each customer and related ageing of past due balances. Specific accounts are assessed in situations where a customer may not be able to meet its financial obligations due to deterioration of its financial condition.

Notes *(continued)*

1 Accounting policies *(continued)*

Impairment of goodwill

The determination of whether goodwill and other indefinite life intangible assets should be impaired requires the estimation of future cash flows and growth factors adopted by each cash generating unit. Furthermore, discount rates applied to these cash flows are determined by reference to the markets in which they operate and are risk adjusted to reflect risks and opportunities existing for each cash generating unit. These factors are all affected by prevailing market and economic factors outside the company's control.

Deferred taxation

Deferred taxation has been estimated using the best information available, including seeking the opinion of independent experts where applicable.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Adopted IFRS not yet applied

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

Endorsed (all effective from 1 February 2015):

- Annual improvements to IFRSs 2010-2012 (Endorsed)
- Annual improvements to IFRSs 2011-2013 (Endorsed)
- Amendment to IAS 19 – Employee Benefits (Endorsed)

Not yet endorsed by EU and included as may be relevant:

- IFRS 9 - Financial Instruments
- IFRS 15 - Revenue Recognition
- Amendments to IAS 1 – Presentation of financial statements
- Annual improvements to IFRS 2012 – 2014
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

Notes *(continued)*

2 Acquisition of subsidiaries

Rempower Limited

On 12 December 2013, the company acquired the automotive division of Remploy Ltd for £4.9 million satisfied in cash. If the acquisition had occurred on 1 March 2013, revenue would have been £62 million and net profit would have been an estimated £2 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 April 2013. The company incurred acquisition costs of £599,000 relating to professional fees.

AIM Engineering Limited

On 12 December 2013 the company's subsidiary, AIM Engineering Limited, acquired the whole of the issued share capital of Aim Engineering Limited.

Arlington Technologies Limited incurred acquisition related costs of £124,000 related to professional fees. These costs have been included in administrative expenses in the consolidated statement of profit and loss.

AIM Design Co. Limited

On 7 November 2014, the company's subsidiary, Arlington Technologies Limited, acquired the whole of the issued share capital of AIM Design Co Limited (formerly Aerotech Design Consultants Limited).

Arlington Aerospace Limited incurred acquisition related costs of £69,000 related to professional fees. These costs have been included in administrative expenses in the consolidated statement of profit and loss.

Notes *(continued)*

2 Acquisition of subsidiaries *(continued)*

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities:

	Rempower £000	AIM Engineering £000	AIM Design £000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	2,895	4,235	530
Customer relationships	2,850	857	2,771
Inventories	2,005	484	-
Trade and other receivables	-	7,531	1,080
Cash and cash equivalents	-	3	(789)
Other interest-bearing loans and borrowings	-	(2,579)	-
Trade and other payables	-	(5,010)	(1,692)
Provisions and contingent liabilities	(1,009)	-	-
Net identifiable assets and liabilities	6,741	5,521	1,900
Consideration paid:			
Initial cash price paid	4,000	7,294	2,000
Vendor loan notes	-	3,848	-
Initial cash consideration relating to business combination	4,000	11,142	2,000
Deferred consideration at fair value	900	-	-
Total consideration	4,900	11,142	2,000
Goodwill	-	5,620	100
Negative goodwill (bargain purchase) on acquisition of the automotive division of Remploy Ltd	(1,841)	-	-
Post-acquisition adjustment in net assets acquired	-	2,500	-
	(1,841)	8,120	100

Customer relationships and Customer Orders

Remploy Limited was trading with its customers through purchase and sales orders. At the date of acquisition, Remploy Limited has a backlog of customer purchase orders with all of its key customers, all of whom are recurring customers. Regardless of whether they are cancellable or not, the purchase orders from the key customers meet the contractual-legal criterion. All such customer relationships are assumed to have a life of 10 years based on the industry characteristics.

Aerotech Design was trading with its customers through purchase and sales orders. At the date of acquisition, it had a backlog of customer purchase orders with all of its key customers, all of whom are recurring customer and Arlington Group now has the ability to offer combined engineering and design services to its aviation customer base. Regardless of whether they are cancellable or not, the purchase orders from the key customers meet the contractual legal criterion. All such customer relationships are assumed to have a life of 5 years based on the industry characteristics.

Notes *(continued)*

2 Acquisition of subsidiaries *(continued)*

Customer relationships and Customer Orders (continued)

AIM Engineering Limited was trading with its customers through purchase and sales orders and contract agreements in place. At the date of acquisition, AIM Engineering had significant customer orders secured with contracts with all of its key customers, all of whom are recurring customers. The nature of these items meet the contractual-legal criterion. All such customer orders are assumed to have a life of 2 years based on the industry characteristics and contract terms.

Determination of fair values

Prior to the acquisitions as part of the due diligence processes, the Group conducted a review of the carrying values of balance sheet assets and liabilities.

Within 12 months from AIM Engineering's acquisition, the directors identified that assets acquired have been overstated by £2.5 million. The directors have amended its acquisition calculation and goodwill balance accordingly.

No material revaluations were deemed necessary for the tangible assets and inventories. Customer relationship calculation was based on current programs trading results and forecasted cash flows discounted at 10% over the average life of the programs. Contingent liabilities for Rempower refer to dilapidation provision attached to the building acquired and warranty provision.

Management has also written off £991,000 of capitalised development costs in AIM Design Co Limited as they did not meet the asset criteria under IFRS.

Contingent consideration

The company paid the Rempower vendors additional consideration of £0.9 million in cash during 2015.

3 Revenue

	Year ended 31 March 2015 £000	Period ended 31 March 2014 £000
Sale of goods and engineering	**90,442**	23,975
Sale of design services	**1,804**	-
Total revenues	**92,246**	23,975

Notes *(continued)*

4 Expenses and auditor's remuneration

Profit on ordinary activities before taxation is stated after charging:

	Year ended 31 March 2015 £000	Period ended 31 March 2014 £000
Acquisition costs (non-recurring)	**69**	768
Operating lease charges		130
Depreciation and amortisation	**2,019**	306

Auditor's remuneration:

Group		
Audit of these financial statements	**30**	30
Audit of these financial statements of subsidiaries	**50**	30
Other services related to taxation	**60**	60

5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	Year ended 31 March 2015	Period ended 31 March 2014
Production	**454**	393
Selling, management and administration	**63**	57
	517	450

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	**16,401**	3,167
Social security costs	**850**	321
Contributions to defined contribution plans	**458**	165
	17,709	3,653

6 Directors' remuneration

No remuneration has been paid by the Company to any of its directors. Those directors of the Company who have received emoluments from other entities within the Arlington Industries Limited group have done so from Arlington Industries Group Limited.

Notes *(continued)*

7 Finance income and expense

Recognised in profit or loss

	Year ended 31 March 2015 £000	Period ended 31 March 2014 £000
Finance expense		
Interest expense	**2,026**	466
Finance lease charges	**289**	22
Total finance expense	**2,315**	488

8 Taxation

Recognised in the income statement

	Year ended 31 March 2015 £000	Period ended 31 March 2014 £000
Current tax expense		
Current year	**38**	210
Current tax expense	**38**	210
Deferred tax expense		
Origination and reversal of temporary differences	**211**	71
Deferred tax expense	**211**	71
Total tax expense	**249**	281

Notes *(continued)*

8 Taxation *(continued)*

Reconciliation of effective tax rate

	Year ended 31 March 2015 £000	Period ended 31 March 2014 £000
(Loss)/profit for the year	**(2,054)**	949
Total tax expense	**249**	281
Profit excluding taxation	**(1,805)**	1,230
Tax using the UK corporation tax rate of 21% *(period ended 31 March 2014: 23%)*	**(379)**	283
Non-deductible expenses	**370**	67
Unrelieved tax losses	**180**	(44)
Capital allowances for period in excess of depreciation	**43**	(25)
Adjustments in respect of prior periods	**(176)**	-
Total tax expense	**38**	281

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 24% to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012. Reductions to 21% (effective 1 April 2014) were substantively enacted on 2 July 2013. The deferred tax asset/liability at 31 March 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly.

Notes *(continued)*

9 Property, plant and equipment

Group

	Land and buildings £000	Plant and equipment £000	Motor vehicles £000	Total £000
Cost				
At incorporation	-	-	-	-
Additions through business combinations	2,253	4,661	216	7,130
Additions	-	96	-	96
Balance at 31 March 2014	2,253	4,757	216	7,226
Balance at 1 April 2014	2,253	4,757	216	7,226
Additions through business combinations	54	472	4	530
Additions	-	579	134	713
Disposals	-	-	(111)	(111)
Balance at 31 March 2015	2,307	5,808	243	8,358
Depreciation and impairment				
At incorporation	-	-	-	-
Depreciation charge for the year	6	188	20	214
Balance at 31 March 2014	6	188	20	214
Balance at 1 April 2014	6	188	20	214
Depreciation charge for the year	24	1,089	65	1,178
Disposals	-	-	(25)	(25)
Balance at 31 March 2015	30	1,277	60	1,367
Net book value				
At 31 March 2014	2,247	4,569	196	7,012
At 31 March 2015	**2,277**	**4,531**	**183**	**6,991**

Notes *(continued)*

10 Intangible assets

Group

	Goodwill	Customer order	Customer relationships	Total
	£000	£000	£000	£000
Cost				
Balance on incorporation	-	-	-	-
Acquisitions through business combinations	5,620	857	2,850	9,327
Balance at 31 March 2014	5,620	857	2,850	9,327
Balance at 1 April 2014	5,620	857	2,850	9,327
Acquisitions through business combinations	2,600	-	2,721	5,371
Balance at 31 March 2015	8,220	857	5,621	14,698
Amortisation and impairment				
Balance on incorporation	-	-	-	-
Amortisation for the year	-	21	71	92
Balance at 31 March 2014	-	21	71	92
Balance at 1 April 2014	-	21	71	92
Amortisation for the year	-	418	423	841
Balance at 31 March 2015	-	439	494	933
Net book value				
At 31 March 2014	5,620	836	2,779	9,235
At 31 March 2015	**8,220**	**418**	**5,127**	**13,765**

Impairment testing for goodwill

In accordance with accounting standards, the negative goodwill generated by the Remploy transaction was released to the income statement.

For the purpose of impairment testing on goodwill generated on AIM Engineering and AIM Design transaction, goodwill is allocated to each company as one operating division. The key assumptions applied in determining budgeted revenues are based on each enterprise's projected profile of current and new contracts and their estimates for the perspective economies. Budgeted costs are based upon directors' experience and estimate of the costs required to support these contracts.

Notes *(continued)*

10 Intangible assets *(continued)*

The assessment as to recoverable amount of each cash-generating unit was based on its value in use. The carrying amount of each unit was determined to be lower than its recoverable amount and management identified that there is sufficient headroom on each unit with no need for any impairment.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. Unless indicated otherwise, value in use in 2015 was determined similarly as in 2014. The calculation of the value in use was based on the following key assumptions:

Cash flows were projected based on past experience, actual operating results and the 5-year Board approved business plan in 2015. Cash flows for a further 5 year period were also extrapolated using a constant growth rate of 2 percent for each cash-generating unit which is not considered to exceed the long-term average growth rate for each of the CGUs. Value in use calculations provided sufficient headroom in all cash-generating units containing goodwill.

A Group pre-tax discount rate of 12% *(2014: 9.9%)* was calculated based on past experience and industry average assumptions to determine weighted average cost of capital based on an assumed market-participant debt/equity position. Based on the similar profile of the entities and the synergies going forward, the directors considered it appropriate to use the same discount rate in both entities' calculations.

Amortisation and impairment charge

The amortisation and impairment charge is recognised in the following line items in the income statement:

	2015	2014
	£000	£000
Administrative	**841**	92

11 Investments in subsidiaries

The Group and Company have the following investments in subsidiaries:

	Country of incorporation	Registered number	Class of shares held	Ownership
				2015
Company				
Arlington Securities Limited	England	08741590	Ordinary	**100%**
Arlington Industries Group Limited	England	08296565	Ordinary	**100%**
Arlington Technologies Limited	England	06353995	Ordinary	**100%**
AIM Engineering Limited	England	02744531	Ordinary	**100%**
Arlington Automotive Limited	England	08554259	Ordinary	**100%**
Rempower Limited	England	08554261	Ordinary	**100%**
AIM Design Co Limited	England	94752004	Ordinary	**100%**

Notes *(continued)*

12 Deferred tax liabilities – Group

Recognised deferred tax liabilities

Deferred tax assets and liabilities are attributable to the following:

	2014 £000
Property, plant and equipment	**392**
Utilised during the period	**(392)**
Net tax liabilities	-

Movement in deferred tax during the year

	At 31 March 2014 £000	Recognised in income £000	Acquired in business combination £000	**At 31 March 2015 £000**
Property, plant and equipment	181	-	211	392
Tax value of loss carry-forwards utilised	(132)	(211)	(49)	(392)
	49	(211)	162	-

Movement in deferred tax during the prior period

	On incorporation £000	Recognised in income £000	Acquired in business combination £000	At 31 March 2014 £000
Property, plant and equipment	-	(71)	252	181
Tax value of loss carry-forwards utilised	-	-	(132)	(132)
	-	(71)	114	49

13 Inventories

	2015 Group £000	**Company £000**	2014 Group £000	Company £000
Raw materials and consumables	**3,227**	-	2,340	-
Work in progress	**73**	-	196	-
Finished goods	**663**	-	538	-
	3,963	-	3,074	-

Notes *(continued)*

14 Trade and other receivables

	2015 Group £000	Company £000	2014 Group £000	Company £000
Trade receivables	**23,816**	-	10,634	-
Uninvoiced amounts recoverable on contracts	**3,057**	-	4,271	-
Other receivables from related parties	-	**3,848**	-	3,848
Other receivables, prepayments and accrued income	**5,394**	-	4,754	1,851
	32,267	**5,697**	19,659	5,697
Non-current	-	-	-	-
Current	**32,267**	**5,697**	19,659	5,697

Amounts owed by related parties unsecured, interest free and had fixed date of repayment (note 21).

At £5.5 million *(2014: £5.8 million)* aggregate costs incurred under open construction contracts and recognised profits. Advances received from customers under open construction contracts amounted to £140,000. The Group has established an allowance for impairment that represents its estimate of incurred losses in respect of amounts recoverable on contracts.

15 Cash and cash equivalents

	2015 Group £000	Company £000	2014 Group £000	Company £000
Cash and cash equivalents per balance sheet	**748**	**1**	2,163	1
Cash and cash equivalents per cash flow statements	**748**	**1**	2,163	1

Notes *(continued)*

16 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group and Company's exposure to interest rate and foreign currency risk, see note 20.

	2015 Group £000	**Company £000**	2014 Group £000	Company £000
Non-current liabilities				
Secured bank loans	**691**	-	691	-
Finance lease liabilities	**833**	-	1,027	-
Loan from related parties	**16,226**	**3,848**	9,084	3,848
Other borrowings	-	-	2,117	-
	17,750	**3,848**	12,910	3,848
Current liabilities				
Current portion of secured bank loans	**12,167**	-	2,382	-
Current portion of finance lease liabilities	**595**	-	880	-
	12,762	-	3,262	-

Terms and debt repayment schedule

	Currency	**Nominal interest rate**	**Year of maturity**	**Face value 2015 £000**	**Carrying amount 2015 £000**
Secured bank loans	GBP	BoEBR+2.25%	2015	**6,669**	**6,669**
Secured bank loans	USD	BoEBR+2.25%	2015	**546**	**546**
Secured bank loans	EUR	BoEBR+2.25%	2015	**4,679**	**4,679**
Other unsecured Eurobond Loan Notes	USD	15.00%	2019	**12,077**	**12,651**
Other unsecured Series I Loan Notes	GBP	-	2017	**2,299**	**1,924**
Secured bank loan	GBP	BoEBR+2%	2017	**691**	**691**
Other unsecured Series II Loan Notes	GBP	-	2018	**2,219**	**1,924**
				29,260	**29,084**

	Contractual cash flows £000	**Within 1 year £000**	**1-2 years £000**	**2-5 years £000**
Secured bank loans	6,669	6,669	-	-
Secured bank loans	549	549	-	-
Secured bank loans	4,679	4,679	-	-
Other unsecured Eurobond Loan Notes	19,323	1,811	3,623	13,889
Other unsecured Series I and II Loan Notes	3,848	-	-	3,848
Secured bank loan	691	-	-	691
	35,759	7,708	3,623	18,428

Notes *(continued)*

16 Other interest-bearing loans and borrowings *(continued)*

The secured bank loans are structured through a CID facility which is secured by floating charges over the current and future assets of the company. Since the year end, these bank loans have been refinanced at similar terms.

The interest payable on the unsecured Eurobond Loan Notes is payable in cash or in kind at the discretion of the Board.

The unsecured Series I and II Loan Notes are interest free and they are due to be repaid in 2017. The unsecured Series II Loan Notes are interest free and are due to be repaid in 2018 or upon a change in control of AIM Engineering Limited.

Company

	Currency	Nominal interest rate	Year of maturity	Face value 2015 £000	Carrying amount 2015 £000
Other unsecured Series I Loan Notes	GBP	-	2017	2,299	1,924
Other unsecured Series II Loan Notes	GBP	-	2018	2,299	1,924
Loans to subsidiaries	GBP	-	-	2,500	2,500
				7,098	6,348

Loans to subsidiaries carry no interest and are payable on demand.

17 Trade and other payables

	2015 Group £000	2015 Company £000	2014 Group £000	2014 Company £000
Current				
Advance payments	138	-	150	-
Trade payables	13,389	-	10,948	-
Non-trade payables and accrued expenses	11,611	-	9,686	-
	25,138	-	20,784	-

18 Provisions

Group	Dilapidation provision £000	Warranty provision £000	Total £000
Balance at 1 April 2014 and 31 March 2015	500	289	789
Non-current	500	-	500
Current	-	289	289
	500	289	789

Notes *(continued)*

19 Share capital

	2015	2014
	£000	£000
27,841 "A" ordinary shares of £66.46 each	**1,850**	1,850
47,868 "B" ordinary shares of £0.01 each	**-**	-
8,271 "C" ordinary shares of £66.46 each	**550**	550
9,020 "D" ordinary shares of £0.05 each	**-**	-
3,000 "E" ordinary shares of £0.01 each	**-**	-
	2,400	2,400

'A' and 'B' and 'C' classes of Ordinary shares rank pari passu in all rights. The 'E' ordinary shares carry no voting rights other than on matters concerning those classes of share and 'D' Ordinary share carry 10% of voting rights but have no entitlement to dividends. On an exit (as defined in the articles of association), all classes of Ordinary shares rank pari passu.

At 31 March 2014 the amount paid per share for 'A', 'B' and 'E' Ordinary shares was £0.01 , for 'C' Ordinary shares was £66.46 and for 'D' Ordinary shares was £0.05.

Notes *(continued)*

20 Financial instruments

21 (a) Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows.

Cash

Cash represents bank balances and the fair value of cash is estimated as its carrying amount where the cash is repayable on demand.

Fair values

The fair value of financial assets and financial liabilities, together with the carrying amounts shown in the consolidated balance sheet, are considered to be as follows:

Group

	Payables and other receivables £000	Other financial liabilities £000	Total carrying amount £000	Fair value £000
31 March 2015				
Trade and other receivables	23,816	-	23,816	23,816
	23,816	-	23,816	23,816
Loan from related parties	-	(16,226)	(16,226)	(11,522)
Trade payables	(13,389)	-	(13,389)	(13,389)
Other borrowings	-	(12,858)	(12,858)	(12,858)
	10,427	(29,084)	(18,657)	(13,953)
31 March 2014				
Trade and other receivables	19,659	-	19,659	19,659
	19,659	-	19,659	19,659
Loan from related parties	-	(9,048)	(9,048)	(9,048)
Trade payables	(20,785)	-	(20,785)	(20,785)
Other borrowings	-	(7,233)	(7,233)	(6,276)
	(1,126)	(16,281)	(17,407)	(16,450)

Notes *(continued)*

21 Financial instruments *(continued)*

Company

	Trade payables and other receivables £000	Other financial liabilities £000	Total carrying amount £000	Fair value £000
31 March 2015				
Other receivables from subsidiaries	3,848	-	3,848	3,181
	3,848	-	3,848	3,181
Loan from related parties	-	(3,848)	(3,848)	(3,181)
Other payables to related parties	-	(2,500)	(2,500)	(2,500)
	3,848	(6,348)	(2,500)	(2,500)
31 March 2014				
Trade and other receivables	5,697	-	5,697	5,697
	5,697	-	5,697	5,697
Loan from related parties	-	(3,848)	(3,848)	(3,848)
	5,697	(3,848)	1,849	1,849

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Group		Company	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Trade and other receivables	**23,816**	10,634	**3,848**	3,846
Cash and cash equivalents	**748**	2,163	**1**	1
	24,564	121,797	**3,849**	3,847

Amounts in the above table include all trade and other receivables at the reporting date that were not impaired. As at 31 March 2015, the doubtful debtors allowance was £0.3 million.

The Group has also established an allowance of £2.5 million in respect of amounts recoverable on contracts. The parent company intends to inject further cash through intercompany balances, if required.

Notes *(continued)*

21 Financial instruments *(continued)*

Liquidity and credit risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group prepares cash flow information on a regular basis which is reviewed by directors and senior management to ensure that as far as possible it will have sufficient liquidity to meet its liabilities when due.

Management have reviewed the forecast cash requirements of the Group for the following 12 months and have satisfied themselves that the company will be able to meet its external liabilities as they fall due.

Certain Group entities entered a receivables financing agreement during the period. The agreement is for a fixed amount of consideration per receivable and there is no recourse to the originator for losses. The credit risk still lies within the company, thus trade receivables and amounts borrowed are presented gross in the balance sheet.

Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's income or the value of its holdings of financial instruments.

Exposure to currency, interest rate and credit risks arise in the normal course of the company's business.

Foreign currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currency of the Group. The functional currency of the Group is the pound sterling. The Group has not entered into any hedging agreements as the currency risk is not considered to be significant.

The Group's exposure to foreign currency as at the year end was as follows:

	EUR £000	USD £000
Trade receivables	10,114	1,027
Trade payables	(5,734)	(890)
Secured bank loans	(4,905)	(546)
Other unsecured loans	-	(12,651)
Net statement of financial position exposure	**(525)**	**(13,060)**

The company's exposure to credit risk as at the prior period end was as follows:

	EUR £000	USD £000
Trade receivables	9,861	2,082
Trade payables	(2,878)	(1,169)
Secured bank loans	(63)	75
Other unsecured loans	-	(14,098)
Net statement of financial position exposure	**6,920**	**(13,110)**

The company had no significant exposure to credit for foreign currency risk during the current year or preceding period.

Notes *(continued)*

21 Financial instruments *(continued)*

The following significant exchange rates applied during the year:

	Spot rate		Average rate	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
EUR	**1.35**	1.21	**1.23**	1.20
USD	**1.48**	1.64	**1.66**	1.55

Sensitivity analysis

A strengthening/(weakening) of GBP, as indicated below, against the USD and EUR at 31 March would have increased/(decreased) equity and profit or loss by the amounts shown below. This quantifies the impact of a change in value of assets and liabilities denominated in a currency other than the functional currency of that business unit. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

31 March 2015	Equity	Profit or loss
	£000	£000
USD (10% strengthening)	(1,210)	256
EUR (10% strengthening)	160	1,312

A weakening of GBP against the above currencies at 31 March 2015 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Capital management

The company meets its day to day working capital requirements and medium term funding requirements through trading with its customers. The company prepares cash flow information on a regular basis which is reviewed by directors and senior management to ensure that as far as possible it will have sufficient liquidity to meet its liabilities when due.

21 Lease commitments

Capital commitments

The Group anticipates making the following payments under operating leases:

		2015			2014	
	Land and buildings	**Motor vehicles**	**Total**	Land and buildings	Motor vehicles	Total
	£000	**£000**	**£000**	£000	£000	£000
Within one year	41	81	122	60	38	98
Between two and five years	371	81	452	216	2	218
After five years	1,431	-	1,431	1,746	-	1,746
Net statement of financial position exposure	**1,843**	**162**	**2,005**	2,022	40	2,062

Notes *(continued)*

21 Lease commitments *(continued)*

The Group anticipates making the following payments under finance leases:

Plant and equipment	2015 £000	2014 £000
Within one year	595	880
Between two and five years	833	1,018
	1,428	1,898

Contingent liabilities

Certain members of the Group guarantee the obligations arising from its facilities with Shawbrook Business Credit, which is a trading entity of Shawbrook Bank Limited. Net indebtedness under this arrangement at 31 March 2015 was £12.1 million.

The company had no contingent liabilities at 31 March 2015.

22 Capital commitments

The company and group had no capital commitments at 31 March 2015.

23 Related parties

Transactions with key management personnel

The compensation of key management personnel (including the directors) is as follows:

	2015 Group	Company	2014 Group	Company
Key management emoluments including social security costs	434	-	114	-

	Finance expense 2015 £000	2014 £000
Pangaea Two Acquisition Holdings VIII LLC	1,571	384

	Payables outstanding 2015 £000	2014 £000
Pangaea Two Acquisition Holdings VIII LLC	12,651	9,084

Notes *(continued)*

24 Related parties *(continued)*

Company

Other related party transactions

	Receivables outstanding	
	2015	2014
	£000	£000
Arlington Securities Limited	**3,848**	3,848

	Payables outstanding	
	2015	2014
	£000	£000
AIM Engineering Limited	**2,500**	-

24 Post balance sheet events

On 11 August 2015, the Group, through its subsidiary Arlington Automotive Limited, has purchased the entire share capital of DPE Auto Engineering Group Limited (and its trading subsidiary subsequently renamed to Arlington Automotive NE Limited) with consideration paid in cash.

25 Ultimate parent company and parent company of larger group

The company is the ultimate parent company of its group. The ultimate controlling entity is Pangaea Two Acquisition Holdings VIII, LLC (Delaware).