

**TRIUMPH STRUCTURES – FARNBOROUGH, LTD.**

**FINANCIAL STATEMENTS**

for the year ended

31 March 2015



Company Registration No. 00706645

**TRIUMPH STRUCTURES – FARNBOROUGH, LTD.**

**COMPANY INFORMATION**

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|--------------------------|---|
| <b>DIRECTORS</b>         | D J Crowley<br>M Thomas<br>J B Wright II  |
| <b>COMPANY NUMBER</b>    | 00706645  |
| <b>REGISTERED OFFICE</b> | 21 Invincible Road<br>Farnborough<br>Hampshire GU14 7QU                         |
| <b>AUDITOR</b>           | Ernst & Young LLP<br>Apex Plaza<br>Forbury Road<br>Reading<br>Berkshire RG1 1YE |

**TRIUMPH STRUCTURES – FARNBOROUGH, LTD.**

**STRATEGIC REPORT**  
for the year ended 31 March 2015

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The directors present their strategic report of Triumph Structures – Farnborough, Ltd. (Company Registration No. 00706645) for the year ended 31 March 2015.

**PRINCIPAL ACTIVITIES**

The company is principally engaged in manufacturing and supplying high specification composite structures to the commercial aerospace sector.

**REVIEW OF THE BUSINESS**

During the year, the company's turnover decreased by 0.7% (2014: increased by 3.8%).

Cost of sales increased by 16.9% (2014: 37.9%):

- **NADCAP FAILURE:** In November 2013, the business failed a NADCAP procedural documentation audit and immediately instigated protective actions to ensure that customer quality was not impacted. The NADCAP documentation was entirely reviewed and rewritten, full compliance was achieved again in October 2015. The interim appeasement actions for customers required additional engineering supervision and controls resulting in a significant slowdown in production. As a result of this cost of sales increased significantly in the year. Further the company introduced 24/7 production and expedited freight in and out to catch up on the heavily delayed production, adding additional layers of production and distribution costs.
- **CONTRACT IMPAIRMENT:** The existing sales contracts allow for minimal cost increase transfer to the end customer. Indeed several contracts had built in selling price reductions based on anticipated future efficiencies. The contracts assume production and cost efficiency improvements within the company which were not achievable following the NADCAP failure, and as a consequence, margins on contracts are lower than had been planned.

Exceptional contract losses:

- **THAILAND MANUFACTURING:** Many of the sales contracts were costed on the basis that the business group was creating a sister manufacturing unit in Thailand with anticipated lower production costs. These contracts were to be transferred and manufactured in the Thailand facility as it came online. The company continues to reserve against the continuing losses on these contracts until the anticipated manufacturing transfer is complete or the contract ends, if sooner.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The company's activities expose it to a number of financial risks including cash flow risk, credit risk, liquidity risk, price risk and contract performance risk.

Cash flow risk:

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The company is a subsidiary of Triumph Group Inc. and foreign currency risk is mitigated at a group level.

Credit risk:

The company's principal financial assets are bank balances, cash and trade/other receivables. The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of these cash flows. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

**TRIUMPH STRUCTURES – FARNBOROUGH, LTD.**

STRATEGIC REPORT (Continued)  
for the year ended 31 March 2015

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**Liquidity risk:**

In order to maintain liquidity and to ensure that sufficient funds are available for ongoing operations and future developments, the company is supported by group financing.

**Price risk:**

The company is exposed to commodity price risk. The company manages its exposure to this risk in that it has enabled pricing and the risk is therefore transferred to the customer, or if this is not possible, it minimises the risk by utilising lean purchasing or economic order quantity management.

**Contract performance risk:**

The company has a number of supply contracts, which range from 2 to 10 years. The company manages its exposure to material and supply price increases by performing regular contract performance reviews.

**KEY PERFORMANCE INDICATORS**

The company operates with a small number of customers within a highly competitive market. Senior management is continually seeking improvement in manufacturing performance in order to meet customer price expectation. The key area of focus is cost reduction by productivity improvements and supply chain management.

The directors consider the key financial performance indicators are those that communicate the financial performance of the business as a whole, these being gross margin, operating profit for the financial year and net working capital.

|                             | 2015   | 2014   |  |
|-----------------------------|--------|--------|--|
| Gross margin (%)            | (13.1) | (31.4) | Ratio of gross (loss)/profit expressed as a % of sales                                     |
| Operating (loss)/profit (%) | (39.6) | (60.0) | Ratio of operating (loss)/profit expressed as a % of sales                                 |
| Net working capital (£'000) | 13,560 | 13,917 | Net value of stock and debtors less creditors due within one year (excluding intercompany) |

Gross margin and operating loss were affected by the increase in cost of sales associated with the NADCAP failure highlighted in the review of the business. The additional NADCAP costs had effect through the full year yet only a partial effect on the prior year – a cost increase of £6.7 million. The improvement in gross margin and operating loss was due to net reversals of loss contract provisions in 2015 as opposed to net provisions made in the prior year – an effective overall cost reduction from 2014 to 2015 of £14.3 million.

The net working capital position decreased. Stock levels reduced as the company improved stock control and stock turn and there was an increase in accruals for customers penalties related to the NADCAP failure. This was offset by the increase in trade debtors as customers affected by the NADCAP failure slowed payments.

**TRIUMPH STRUCTURES – FARNBOROUGH, LTD.**

STRATEGIC REPORT (Continued)  
for the year ended 31 March 2015

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**FUTURE DEVELOPMENTS**

The company achieved full NADCAP certification in October 2015. This compliance, aligned with Lean and Kaizen events through 2015 and 2016, underpins the company's efforts to improve efficiencies and drive costs down. Triumph Group, Inc. has accelerated the programme of manufacturing transfer to the Thailand facility. This is ongoing.

This report was approved by the board of directors on ..... July 29, 2016

Signed on behalf of the board



JOHN B. WRIGHT, II  
..... DIRECTOR

Dated: July 29, ..... 2016

**TRIUMPH STRUCTURES – FARNBOROUGH, LTD.**

**DIRECTORS' REPORT**  
for the year ended 31 March 2015

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The directors present their report and financial statements of Triumph Structures – Farnborough, Ltd. (Company Registration No. 00706645) for the year ended 31 March 2015.

**DIRECTORS**

The following directors have held office since 1 April 2014:

|               |  |
|---------------|--|
| D J Crowley   | (appointed 14 January 2016)                          |
| R C Ill       | (appointed 29 May 2015 and resigned 14 January 2016) |
| P A Jerram    | (resigned 30 June 2014)                              |
| M D Kornblatt | (resigned 18 July 2014)                              |
| J L McRae     | (appointed 18 July 2014 and resigned 31 May 2016)    |
| M Thomas      |  |
| J B Wright II |  |

**RESULTS AND DIVIDENDS**

The results for the year are set out on page 10. The directors do not recommend payment of a dividend (2014: £Nil).

**GOING CONCERN**

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the review of the business on page 2. The directors believe that with on-going group support the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The company meets its working capital requirements through funding from the wider group (see notes 14 and 15) as well as through general working capital management.

The company relies upon the financial support of its ultimate parent company, Triumph Group, Inc., as necessary, to meet its day-to-day working capital requirements. The directors consider that it is reasonable to rely upon this continued financial support and have received a written undertaking from Triumph Group, Inc. to provide further funding for the company to enable it to continue in operational existence for the foreseeable future and meet all of its liabilities as they fall due. For that reason, the directors continue to adopt the going concern basis in preparing the financial statements.

**EMPLOYEE INVOLVEMENT**

The company encourages the involvement of its employees in its management through regular meetings of the works council which has responsibility for the dissemination of information of particular concern to employees and for receiving their views on important matters of policy.

**DISABLED PERSONS**

The company will employ disabled persons when they appear to be suitable for a particular vacancy and every effort is made to ensure that they are given full and fair consideration when such vacancies arise. There is a training scheme in operation so that employees who have been injured or disabled in the course of their employment can, where possible, continue in employment with the company.

**TRIUMPH STRUCTURES – FARNBOROUGH, LTD.**

DIRECTORS' REPORT (Continued)  
for the year ended 31 March 2015

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**CREDITOR PAYMENT POLICY**

The company's policy is to determine terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and then to abide by the terms of payment. Trade creditors of the company at 31 March 2015 were equivalent to 34.5 days (31 March 2014: 47.1 days) of purchases, based on the average daily amount invoiced by suppliers during the year.

**AUDITOR**

The auditors, Ernst & Young LLP, have indicated their willingness to continue in office.

**STATEMENT OF DISCLOSURE TO AUDITOR**

The directors who are in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

This report was approved by the board of directors on ..... July 29, ..... 2016

Signed on behalf of the board



JOHN B. WRIGHT, II  
..... DIRECTOR

July 29,  
Dated: ..... 2016

**TRIUMPH STRUCTURES – FARNBOROUGH, LTD.**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

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

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRIUMPH STRUCTURES – FARNBOROUGH, LTD.**

We have audited the financial statements of Triumph Structures – Farnborough, Ltd. ("the company") for the year ended 31 March 2015 which comprise the Profit and Loss Account, the Note of Historical Cost Profits and Losses, the Balance Sheet and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 more fully explained in the Statement of Directors' Responsibilities set out on page 7, 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 (APB's) Ethical Standards for Auditors.

### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **BASIS FOR QUALIFIED OPINION ON FINANCIAL STATEMENTS**

We did not attend the counting of the physical stock as at 31 March 2013 and we were unable to satisfy ourselves concerning the existence of the stock balance of £10.8m by alternative audit procedures. As a consequence, we issued a qualified audit opinion on the 31 March 2013 closing stock value and a qualified opinion on 31 March 2014 cost of sales balance because the value of opening stock as at 1 April 2013 affected the determination of cost of sales for the year.

Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's cost of sales figure and the corresponding figures.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRIUMPH STRUCTURES – FARNBOROUGH, LTD.**  
(Continued)

**QUALIFIED OPINION ON THE FINANCIAL STATEMENTS**

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

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

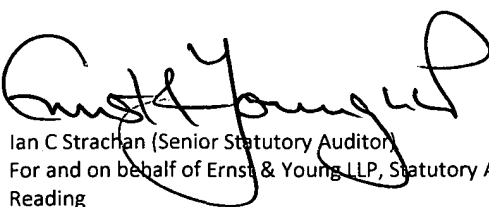
**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

In respect solely of the limitation on our work relating to stock, described above:

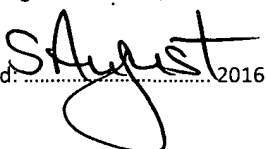
- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been kept.

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:

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



Ian C Strachan (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
Reading

Dated:  2016

**TRIUMPH STRUCTURES – FARNBOROUGH, LTD.****PROFIT AND LOSS ACCOUNT**  
for the year ended 31 March 2015

|  | Notes | 2015<br>£    | 2014<br>£    |
|--|-------|--------------|--------------|
| TURNOVER   | 2     | 39,093,547   | 39,388,129   |
| Cost of sales excluding exceptional contract loss reversals/(provisions) |       | (46,503,458) | (39,828,029) |
| GROSS LOSS BEFORE EXCEPTIONAL ITEMS                                      |       | (7,409,911)  | (439,900)    |
| Exceptional contract loss reversals/(provisions)                         | 3     | 2,287,026    | (11,909,122) |
| GROSS LOSS   |       | (5,122,885)  | (12,349,022) |
| Distribution costs   |       | (1,802,090)  | (1,369,358)  |
| Administrative expenses  |       | (9,397,904)  | (9,175,803)  |
| Other operating income/(expense) (net)                                   | 4     | 857,400      | (750,497)    |
| OPERATING LOSS   |       | (15,465,479) | (23,644,680) |
| Exceptional gain on intercompany loan waiver                             | 3     | 898,861      | -            |
| Interest payable   | 5     | (166,252)    | (27,334)     |
| Interest receivable  | 6     | 4            | 1            |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION                              | 7     | (14,732,866) | (23,672,013) |
| Taxation   | 10    | -            | (43,180)     |
| LOSS ON ORDINARY ACTIVITIES AFTER TAXATION                               |       | (14,732,866) | (23,715,193) |
|  |       | =====        | =====        |

The company's turnover and operating loss for the year derive from its continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

**TRIUMPH STRUCTURES – FARNBOROUGH, LTD.****NOTE OF HISTORICAL COST PROFITS AND LOSSES  
for the year ended 31 March 2015**

|  | 2015<br>£                    | 2014<br>£                    |
|--|------------------------------|------------------------------|
| REPORTED LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION   | (14,732,866)                 | (23,672,013)                 |
| Difference between the historical cost depreciation charge<br>and the actual depreciation charge for the year calculated<br>on the revalued amount | 18,688                       | 17,131                       |
| HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE<br>TAXATION   | <u>(14,714,178)</u><br>===== | <u>(23,654,882)</u><br>===== |
| HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES AFTER<br>TAXATION  | <u>(14,714,178)</u><br>===== | <u>(23,698,062)</u><br>===== |

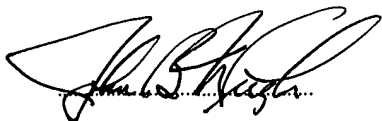
## TRIUMPH STRUCTURES – FARNBOROUGH, LTD.

BALANCE SHEET  
as at 31 March 2015

Company Registration No. 00706645

|  | Notes | 2015<br>£           | 2014<br>£         |
|--|-------|---------------------|-------------------|
| <b>FIXED ASSETS</b>  |       |                     |                   |
| Tangible assets  | 11    | 7,247,738           | 7,352,200         |
| <b>CURRENT ASSETS</b>                                      |       |                     |                   |
| Stocks   | 12    | 10,464,969          | 12,154,857        |
| Debtors  | 13    | 14,926,525          | 16,424,349        |
| Cash at bank and in hand                                   |       | 577,070             | 2,009,762         |
|  |       | <u>25,968,564</u>   | <u>30,588,968</u> |
| CREDITORS: AMOUNTS FALLING DUE<br>WITHIN ONE YEAR          | 14    | (35,612,131)        | (24,511,227)      |
| NET CURRENT (LIABILITIES)/ASSETS                           |       | <u>(9,643,567)</u>  | <u>6,077,741</u>  |
| TOTAL ASSETS LESS CURRENT LIABILITIES                      |       | <u>(2,395,829)</u>  | <u>13,429,941</u> |
| CREDITORS: AMOUNTS FALLING DUE<br>AFTER MORE THAN ONE YEAR | 15    | (1,177,040)         | -                 |
| PROVISIONS FOR LIABILITIES                                 | 16    | (10,137,326)        | (12,407,270)      |
| NET (LIABILITIES)/ASSETS                                   |       | <u>(13,710,195)</u> | <u>1,022,671</u>  |
|  |       | =====               | =====             |
| <b>CAPITAL AND RESERVES</b>                                |       |                     |                   |
| Called up share capital                                    | 19    | 74,174              | 74,174            |
| Share premium account                                      | 20    | 18,679,390          | 18,679,390        |
| Capital redemption reserve                                 | 20    | 26,026              | 26,026            |
| Revaluation reserve  | 20    | 1,909,523           | 1,928,211         |
| Profit and loss account                                    | 20    | (34,399,308)        | (19,685,130)      |
| SHAREHOLDERS' (DEFICIT) FUNDS                              | 21    | <u>(13,710,195)</u> | <u>1,022,671</u>  |
|  |       | =====               | =====             |

The financial statements on pages 10 to 26 were approved by the board of directors and authorised for issue on July 29, 2016 and are signed on its behalf by:



JOHN B. WRIGHT, II  
DIRECTOR

Dated: July 29, 2016

**TRIUMPH STRUCTURES – FARNBOROUGH, LTD.****NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2015**

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**1 ACCOUNTING POLICIES****BASIS OF ACCOUNTING**

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of land and buildings, and in accordance with applicable accounting standards.

In accordance with FRS 18: Accounting policies, the directors have reviewed the company's accounting policies and consider that these remain appropriate.

The company has taken advantage of the exemption in FRS 1: Cash flow statements (revised 1996) from the requirement to produce a cash flow statement on the grounds that its ultimate parent undertaking prepares consolidated financial statements which include a cash flow statement and which are publicly available.

**GOING CONCERN**

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the review of the business on page 2. The directors believe that with on-going group support the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The company meets its working capital requirements through funding from the wider group (see notes 14 and 15) as well as through general working capital management.

The company relies upon the financial support of its ultimate parent company, Triumph Group, Inc., as necessary, to meet its day-to-day working capital requirements. The directors consider that it is reasonable to rely upon this continued financial support and have received a written undertaking from Triumph Group, Inc. to provide further funding for the company to enable it to continue in operational existence for the foreseeable future and meet all of its liabilities as they fall due. For that reason, the directors continue to adopt the going concern basis in preparing the financial statements.

**COMPLIANCE WITH ACCOUNTING STANDARDS**

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

**TURNOVER**

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Turnover is recognised as income when the goods or services are delivered to the customer.

**PENSIONS**

The company makes contributions into defined contribution pension schemes on behalf of its employees. The pension cost charged in the financial statements represents the contributions payable by the company during the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**TRIUMPH STRUCTURES – FARNBOROUGH, LTD.****NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**for the year ended 31 March 2015****1 ACCOUNTING POLICIES (Continued)****FOREIGN CURRENCY TRANSLATION**

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

**RESEARCH AND DEVELOPMENT**

Expenditure by the company on research and development is charged to the profit and loss account in the period in which it is incurred.

**TANGIBLE FIXED ASSETS AND DEPRECIATION**

Tangible fixed assets, other than freehold land, are stated at cost or valuation less depreciation. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

|                            |                         |
|----------------------------|-------------------------|
| Leasehold land & buildings | 2.5% straight line      |
| Plant & machinery          | 12.5% straight line     |
| Fixtures and fittings      | 10% - 33% straight line |
| Motor vehicles             | 25% straight line       |

Residual value is calculated on the basis of prices prevailing at the date of acquisition or revaluation of the asset concerned.

Assets under construction are not depreciated until the asset is in use, at which time they are transferred to the applicable fixed asset category and depreciated in line with the depreciation rate applicable for that category.

**INTANGIBLE FIXED ASSETS AND DEPRECIATION**

Intangible assets contained within Fixtures & Fittings and not separately disclosed comprise the company's Enterprise Resource Planning (ERP) software system acquired to cater for the operational needs of the business.

Depreciation/amortisation is provided at rates calculated to write off the cost or valuation less estimated residual value of such assets over its expected useful life, as follows:

|                                  |                         |
|----------------------------------|-------------------------|
| Software (3 <sup>rd</sup> Party) | 25% - 33% straight line |
|----------------------------------|-------------------------|

**TRIUMPH STRUCTURES – FARNBOROUGH, LTD.****NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**for the year ended 31 March 2015**

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**1 ACCOUNTING POLICIES (Continued)****REVALUATION OF PROPERTIES**

Individual leasehold properties are subject to a full valuation by a qualified external valuer every five years with an interim valuation in year three. The surplus or deficit on book value is transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

**STOCK AND WORK IN PROGRESS**

Stock and work in progress are valued at the lower of cost and net realisable value. Cost of finished goods and work in progress includes overheads appropriate to the stage of manufacture. Net realisable value is based upon estimated selling prices less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow moving items.

**LEASED ASSETS AND OBLIGATIONS**

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to profit and loss on a straight line basis over the term of the lease term, even if the payments are not made on such a basis.



**TRIUMPH STRUCTURES – FARNBOROUGH, LTD.****NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**for the year ended 31 March 2015****1 ACCOUNTING POLICIES (Continued)****TAXATION AND DEFERRED TAXATION**

Current tax, including applicable UK corporation tax and any foreign tax exposures, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**FINANCIAL INSTRUMENTS****Cash and cash equivalents**

Cash and cash equivalents comprise cash in-hand, call deposits and bank overdrafts, where there is right of set off. Bank overdrafts are presented as current liabilities to the extent that there is no right of set-off with cash balances.

**Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

**Bank loans and overdrafts**

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

**TRIUMPH STRUCTURES – FARNBOROUGH, LTD.****NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
for the year ended 31 March 2015**2 TURNOVER**

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. All turnover arises from the principal activity of the company being the manufacture and supply of high specification composite structures.

| Geographical analysis of turnover: | 2015<br>£         | 2014<br>£         |
|------------------------------------|-------------------|-------------------|
| United Kingdom customers           | 14,727,858        | 13,904,010        |
| Overseas customers                 | 24,365,689        | 25,484,119        |
|                                    | <u>39,093,547</u> | <u>39,388,129</u> |
|                                    | =====             | =====             |

**3 EXCEPTIONAL ITEMS**

|                                      | 2015<br>£ | 2014<br>£    |
|--------------------------------------|-----------|--------------|
| Contract loss reversals/(provisions) | 2,287,026 | (11,909,122) |
|                                      | =====     | =====        |

The contract loss reversal in 2015 related to the net write down of the loss contract provision as costs were actually incurred. The contract loss provisions in 2014 arise primarily due to the delayed transfer of contracts and production to the lower cost Thailand facility and the loss of NADCAP accreditation, as detailed in the strategic report.

|                                  | 2015<br>£ | 2014<br>£ |
|----------------------------------|-----------|-----------|
| Gain on intercompany loan waiver | 898,861   | -         |
|                                  | =====     | =====     |

As part of a group restructuring exercise, an amount owed to a group undertaking was waived with effect from 31 March 2015 resulting in an exceptional gain being recognised in the company's profit and loss account.

**4 OTHER OPERATING INCOME/(EXPENSE) (NET)**

|  | 2015<br>£      | 2014<br>£        |
|--|----------------|------------------|
| Foreign exchange gains/(losses)                    | 838,109        | (758,407)        |
| Sundry income (net)                                | 11,195         | 8,279            |
| Profit/(loss) on disposal of tangible fixed assets | 8,096          | (369)            |
|  | <u>857,400</u> | <u>(750,497)</u> |
|  | =====          | =====            |

## TRIUMPH STRUCTURES – FARNBOROUGH, LTD.

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
for the year ended 31 March 2015

| 5 | INTEREST PAYABLE  | 2015<br>£      | 2014<br>£     |
|---|---|----------------|---------------|
|   | On bank loans and overdrafts  | 166,252        | 30            |
|   | On group borrowings   | -              | 27,304        |
|   |   | <u>166,252</u> | <u>27,334</u> |
|   |   | =====          | =====         |
| 6 | INTEREST RECEIVABLE   | 2015<br>£      | 2014<br>£     |
|   | Bank interest receivable  | 4              | 1             |
|   |   | =====          | =====         |
| 7 | LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION   | 2015<br>£      | 2014<br>£     |
|   | The company's loss on ordinary activities before taxation is stated after charging: |                |               |
|   | Depreciation on tangible fixed assets   |                |               |
|   | - owned assets  | 658,774        | 751,422       |
|   | - leased assets   | 78,549         | 72,003        |
|   | Auditor's remuneration in respect of external audit services                        | 117,500        | 150,000       |
|   | Operating lease rentals   |                |               |
|   | - plant and machinery   | 91,154         | 73,333        |
|   | - leasehold property  | 227,328        | 227,321       |
|   |   | =====          | =====         |

## TRIUMPH STRUCTURES – FARNBOROUGH, LTD.

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
for the year ended 31 March 2015

| 8 | DIRECTORS' REMUNERATION         | 2015<br>£      | 2014<br>£      |
|---|---------------------------------|----------------|----------------|
|   | Remuneration                    | 62,534         | 277,416        |
|   | Compensation for loss of office | 82,506         | -              |
|   | Employer pension contributions  | 7,914          | 25,147         |
|   |                                 | <u>152,954</u> | <u>302,563</u> |
|   |                                 | =====          | =====          |

The number of directors for whom retirement benefits are accruing under money purchase pension schemes is one (2014: two).

Six (2014: thirteen) of the company directors were also directors for other group undertakings and they were remunerated for their services by another group undertaking. The amount allocated to this company in respect of charges for their services was £Nil (2014: £134,998).

Because directors' remuneration for the year is below £200,000, no highest paid director disclosures are required. The highest paid director in the prior year received remuneration of £268,825 and employer pension contributions of £23,897.

| 9 | EMPLOYEES  | 2015<br>£  | 2014<br>£  |
|---|--|------------|------------|
|   | The average monthly number of employees (including directors) during the year was: |            |            |
|   | Direct production  | 322        | 304        |
|   | Selling and distribution   | 3          | 3          |
|   | Other support services   | 123        | 109        |
|   |  | <u>448</u> | <u>416</u> |
|   |  | ===        | ===        |

Employment costs for the above staff comprised the following:

|                        |                   |                   |
|------------------------|-------------------|-------------------|
| Wages and salaries     | 13,205,618        | 11,194,982        |
| Social security costs  | 1,287,304         | 1,106,983         |
| Other pension costs    | 200,745           | 124,813           |
| Other employment costs | 21,343            | 25,272            |
|                        | <u>14,715,010</u> | <u>12,452,050</u> |
|                        | =====             | =====             |

## TRIUMPH STRUCTURES – FARNBOROUGH, LTD.

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
for the year ended 31 March 2015

| 10 | TAXATION   | 2015<br>£    | 2014<br>£    |
|----|--|--------------|--------------|
|    | UK CORPORATION TAX   |              |              |
|    | Current tax on loss for the year   | -            | -            |
|    | CURRENT TAX CHARGE   | -            | -            |
|    | DEFERRED TAX   |              |              |
|    | Effect of changes in tax rates   | -            | 5,633        |
|    | Reversal of timing differences   | -            | 37,547       |
|    | DEFERRED TAX CHARGE  | -            | 43,180       |
|    | TAX CHARGE FOR THE YEAR  | -            | 43,180       |
|    |  | =====        | =====        |
|    | FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR  |              |              |
|    | The tax assessed for the year is higher (2014: higher) than the standard rate of corporation tax 21% (2014: 23%) as explained below: |              |              |
|    | Loss on ordinary activities before taxation  | (14,732,866) | (23,672,013) |
|    | Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21% (2014: 23%)                     | (3,093,902)  | (5,444,563)  |
|    | Effects of:  |              |              |
|    | Non-deductible expenses  | 63,201       | 470,233      |
|    | Intercompany loan waiver not taxable   | (188,761)    | -            |
|    | Capital allowances in excess of depreciation   | (21,242)     | (87,869)     |
|    | Tax losses carried forward   | 3,238,149    | 5,059,880    |
|    | Other timing differences   | 2,555        | 2,319        |
|    | CURRENT TAX CHARGE   | -            | -            |
|    |  | =====        | =====        |

## TRIUMPH STRUCTURES – FARNBOROUGH, LTD.

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
for the year ended 31 March 2015

| 11 | TANGIBLE ASSETS   | Assets under<br>construction<br>£ | Leasehold<br>land and<br>buildings<br>£ | Plant and<br>machinery<br>£ | Fixtures<br>and<br>fittings<br>£ | Motor<br>vehicles<br>£ | Total<br>£ |
|----|---|-----------------------------------|---|-----------------------------|----------------------------------|------------------------|------------|
|    | COST OR<br>VALUATION  |                                   |   |                             |                                  |                        |            |
|    | 1 April 2014  | 334,152                           | 4,294,353                               | 7,824,549                   | 1,449,251                        | 47,130                 | 13,949,435 |
|    | Additions   | 605,247                           | -                                       | -                           | 33,824                           | -                      | 639,071    |
|    | Transfers   | (587,455)                         | -                                       | 493,438                     | 94,017                           | -                      | -          |
|    | Disposal  | -                                 | -                                       | (24,840)                    | -                                | -                      | (24,840)   |
|    | 31 March 2015   | 351,944                           | 4,294,353                               | 8,293,147                   | 1,577,092                        | 47,130                 | 14,563,666 |
|    | DEPRECIATION  |                                   |   |                             |                                  |                        |            |
|    | 1 April 2014  | -                                 | 72,003                                  | 5,634,617                   | 843,485                          | 47,130                 | 6,597,235  |
|    | Charge for<br>the year  | -                                 | 78,549                                  | 443,853                     | 214,921                          | -                      | 737,323    |
|    | Disposal  | -                                 | -                                       | (18,630)                    | -                                | -                      | (18,630)   |
|    | 31 March 2015   | -                                 | 150,552                                 | 6,059,840                   | 1,058,406                        | 47,130                 | 7,315,928  |
|    | NET BOOK VALUE  |                                   |   |                             |                                  |                        |            |
|    | 31 March 2015   | 351,944                           | 4,143,801                               | 2,233,307                   | 518,686                          | -                      | 7,247,738  |
|    | 31 March 2014   | 334,152                           | 4,222,350                               | 2,189,932                   | 605,766                          | -                      | 7,352,200  |
|    | On a historical cost basis, leasehold land and buildings<br>would be included at: |                                   |   |                             | 2015<br>£                        | 2014<br>£              |            |
|    | Cost  |                                   |   |                             | 3,272,667                        | 3,272,667              |            |
|    | Accumulated depreciation  |                                   |   |                             | 1,038,389                        | 978,528                |            |
| 12 | STOCKS  |                                   |   |                             | 2015<br>£                        | 2014<br>£              |            |
|    | Raw materials and consumables   |                                   |   |                             | 5,506,924                        | 7,035,922              |            |
|    | Work in progress  |                                   |   |                             | 4,958,045                        | 5,118,935              |            |
|    |   |                                   |   |                             | 10,464,969                       | 12,154,857             |            |

There is no material difference between the carrying value of stocks and their replacement cost as at the balance sheet date.

**TRIUMPH STRUCTURES – FARNBOROUGH, LTD.****NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
for the year ended 31 March 2015

| 13 | DEBTORS                            | 2015<br>£         | 2014<br>£         |
|----|------------------------------------|-------------------|-------------------|
|    | Trade debtors                      | 9,438,483         | 8,064,262         |
|    | Amounts owed by group undertakings | 4,810,083         | 7,934,247         |
|    | Other debtors                      | 255,589           | 93,355            |
|    | Prepayments and accrued income     | 422,370           | 332,485           |
|    |                                    | <u>14,926,525</u> | <u>16,424,349</u> |
|    |                                    | =====             | =====             |

**Credit risk**

The company's principal financial assets are cash, trade debtors and other debtors. The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The trade debtors' balance is not considered to be impaired. There are no other concentrations of credit risk, with the remaining exposure spread over a number of customers.

The carrying amount of financial assets recorded in the financial statements net of any allowances for losses represents the company's maximum exposure to credit risk. The directors consider that the carrying amount of trade debtors approximates to their fair value.

|   |                |                |
|---|----------------|----------------|
| The age profile of unprovided overdue trade debtors was as follows: | 2015<br>£      | 2014<br>£      |
| 1 to 30 days overdue  | 341,564        | 114,438        |
| 31 to 60 days overdue   | 164,720        | 17,460         |
| 61 to 90 days overdue   | 78,244         | 18,039         |
| More than 90 days overdue   | 156,039        | -              |
|   | <u>740,567</u> | <u>149,937</u> |
|   | =====          | =====          |

The company provides against its trade debtors where there are serious doubts as to future recoverability based on the length of time that the debt has been overdue. The trade debtors balance is shown net of a general provision of £496,202 (2014: £376,934).

The average credit period taken by customers on sales of goods and services is 89.0 days (2014: 80.0 days).

## TRIUMPH STRUCTURES – FARNBOROUGH, LTD.

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
for the year ended 31 March 2015

| 14 | CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 2015<br>£         | 2014<br>£         |
|----|--|-------------------|-------------------|
|    | Trade creditors                                | 4,407,082         | 4,984,497         |
|    | Other taxes and social security costs          | 289,574           | 304,276           |
|    | Amounts owed to group undertakings             | 28,590,768        | 17,783,403        |
|    | Accruals and deferred income                   | 2,324,707         | 1,439,051         |
|    |  | <u>35,612,131</u> | <u>24,511,227</u> |
|    |  | =====             | =====             |

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken from suppliers for purchases is 34.5 days (2014: 47.1 days). The company has financial risk management policies in place to ensure that all creditors are paid within pre-agreed credit terms. The directors consider that the carrying amount of trade creditors approximates to their fair value.

| 15 | CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 2015<br>£        | 2014<br>£ |
|----|---|------------------|-----------|
|    | Amounts owed to group undertakings                      | 1,177,040        | -         |
|    |   | <u>1,177,040</u> | <u>-</u>  |
|    |   | =====            | =====     |

The above amounts owed to group undertakings represent a long term loan of US\$1,914,759 provided by a fellow subsidiary undertaking of Triumph Group, Inc., which bears interest at a rate of 10.9% per annum and is repayable in full inclusive of all accrued interest in December 2023.

Subsequent to the balance sheet date and starting in December 2015, further similar loan funding has been provided by fellow subsidiary undertakings also denominated in US Dollars. As at the date of approval of these financial statements, a further US\$9 million had been loaned in support of the UK company's operations.

| 16 | PROVISIONS FOR LIABILITIES                             | Asset<br>retirement<br>£ | Contract<br>loss provision<br>£ | Total<br>£        |
|----|--|--------------------------|---------------------------------|-------------------|
|    | 1 April 2014   | 152,459                  | 12,254,811                      | 12,407,270        |
|    | Charged to the profit and loss account during the year | 17,082                   | 4,214,223                       | 4,231,305         |
|    | Provision utilised during the year                     | -                        | (6,501,249)                     | (6,501,249)       |
|    | 31 March 2015  | <u>169,541</u>           | <u>9,967,785</u>                | <u>10,137,326</u> |
|    |  | =====                    | =====                           | =====             |

The asset retirement obligation relates to the dilapidations on leasehold property.

The contract loss provision relates to on-going onerous agreements and their foreseeable losses until the completion of contract or the anticipated reduction in cost base by moving the production to another Triumph group company in Thailand.



## TRIUMPH STRUCTURES – FARNBOROUGH, LTD.

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
for the year ended 31 March 2015

| 17 | DEFERRED TAXATION  | Deferred taxation<br>£ |                |
|----|--|------------------------|----------------|
|    | 1 April 2014 and 31 March 2015   | -                      | -              |
|    |  | =====                  | =====          |
|    | Deferred tax is recognised at 20% (2014: 20%)<br>analysed over the following timing differences: | 2015<br>£              | 2014<br>£      |
|    | Capital allowances in arrears of depreciation  | 202,773                | 167,795        |
|    | Other timing differences   | 6,727                  | 4,294          |
|    |  | <u>209,500</u>         | <u>172,089</u> |
|    | Tax losses carried forward   | 7,542,380              | 4,437,159      |
|    | Unrecognised deferred tax asset  | (7,751,880)            | (4,609,248)    |
|    |  | <u>-</u>               | <u>-</u>       |
|    | Deferred tax asset   | -                      | -              |
|    |  | =====                  | =====          |

No provision for deferred taxation has been made in respect of the long leasehold land and buildings included in these accounts at valuation. It is estimated that if they were sold at valuation the tax liability would amount to £Nil (2014: £Nil).

At the balance sheet date, the company had an unrecognised deferred tax asset of £7,542,380 (2014: £4,437,159) in respect of tax losses carried forward amounting to £37,711,901 (2014: £22,185,797) and a deferred tax asset of £209,500 (2014: £172,089) in respect of other timing differences. Neither of these assets has been recognised on the grounds of uncertainty with regard to recoverability.

During the year, the main UK corporation tax rate was 21%, but the Finance Act 2014, which was substantively enacted on 3 July 2012 and effective from 1 April 2015, reduced this main rate to 20%. As such, in accordance with UK GAAP, the rate of 20% is used for the calculation of the deferred tax provisions at the balance sheet date (2014: 20%).

Subsequent to the year end, the second Finance Act of 2015 was enacted and included legislation to reduce the main rate of corporation tax to 19% with effect from 1 April 2017, and by a further 1%, reaching 18% with effect from 1 April 2020. This change was not substantively enacted at the balance sheet date.

## TRIUMPH STRUCTURES – FARNBOROUGH, LTD.

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
for the year ended 31 March 2015

## 18 PENSION COSTS

The company makes contributions into defined contribution pension schemes on behalf of its employees. The pension cost charge represents contributions payable by the company during the year and amounted to £200,745 (2014: £124,813). At the balance sheet date, contributions of £33,637 (2014: £21,472) were unpaid and are included in creditors.

|    |   |                                  |                                       |                             |                                 |
|----|---|----------------------------------|---------------------------------------|-----------------------------|---------------------------------|
| 19 | SHARE CAPITAL   |                                  |                                       | 2015<br>£                   | 2014<br>£                       |
|    | ALLOTTED, CALLED UP AND FULLY PAID  |                                  |                                       |                             |                                 |
|    | 74,174 Ordinary shares of £1 each   |                                  |                                       | 74,174<br>=====             | 74,174<br>=====                 |
| 20 | RESERVES  | Share<br>premium<br>account<br>£ | Capital<br>redemption<br>reserve<br>£ | Revaluation<br>reserve<br>£ | Profit and loss<br>account<br>£ |
|    | Balance at 1 April 2014   | 18,679,390                       | 26,026                                | 1,928,211                   | (19,685,130)                    |
|    | Loss for the year   | -                                | -                                     | -                           | (14,732,866)                    |
|    | Transfer from the<br>revaluation reserve<br>to the profit and loss<br>account | -                                | -                                     | (18,688)                    | 18,688                          |
|    | Balance at 31 March 2015  | 18,679,390<br>=====              | 26,026<br>=====                       | 1,909,523<br>=====          | (34,399,308)<br>=====           |
| 21 | RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS'<br>(DEFICIT)/FUNDS               |                                  |                                       | 2015<br>£                   | 2014<br>£                       |
|    | Loss for the financial year   |                                  |                                       | (14,732,866)                | (23,715,193)                    |
|    | Shares issued during the year   |                                  |                                       | -                           | 18,679,490                      |
|    | Net depletion in shareholders' funds  |                                  |                                       | (14,732,866)                | (5,035,703)                     |
|    | Opening shareholders' funds   |                                  |                                       | 1,022,671                   | 6,058,374                       |
|    | Closing shareholders' (deficit)/funds   |                                  |                                       | (13,710,195)<br>=====       | 1,022,671<br>=====              |

## TRIUMPH STRUCTURES – FARNBOROUGH, LTD.

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
for the year ended 31 March 2015

| 22 | FINANCIAL COMMITMENTS  | 2015<br>£ | 2014<br>£ |
|----|--|-----------|-----------|
|    | At 31 March 2015, the company had annual commitments under non-cancellable operating leases, as follows: |           |           |
|    | Leasehold property   |           |           |
|    | - expiring within one year   | 59,051    | -         |
|    | - expiring within two to five years  | 136,660   | 228,410   |
|    | Plant and machinery  |           |           |
|    | - expiring within one year   | 5,202     | 813       |
|    | - expiring within two to five years  | 84,541    | 58,214    |
|    |  | =====     | =====     |

## 23 CONTROL

The company's immediate parent undertaking is SBP Holdings Limited, a company incorporated in England and Wales.

The ultimate parent undertaking and controlling party is Triumph Group, Inc., a company registered in the United States of America that is a worldwide, diversified manufacturer of complex metal components and products.

The consolidated financial statements drawn up for Triumph Group, Inc. are those for both the smallest and the largest group of which the company is a member and for which consolidated financial statements are prepared. Copies of the consolidated financial statements of Triumph Group, Inc. may be obtained from the directors at 899 Cassatt Road, Suite 210, Berwyn, PA 19312.

## 24 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions conferred by FRS 8: Related party disclosures from the requirement to disclose transactions with fellow group undertakings where 100% of the voting rights are controlled within the group.

There were no other related party transactions during the year.