Global Aerospace
Underwriting Managers Limited

Directors' Report and Financial Statements
for the
year ended
31 December 2016

Registered Number 02512067

Contents

Directors

T Blunck

N Brown

C U Kroll
(Appointed 1 January 2016)

R Love

S A Michael

S Österlein

A M E Tasker

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London EC3A 8EQ

STRATEGIC REPORT

Business review and principal activities

The Company is the holding company of a group of companies, the principal activity of which is the transaction, as agent, of aerospace insurance. During 2016, business was underwritten on behalf of the Global Aerospace Pool, the members of which were:

National Indemnity Company
Münchener Rückversicherungs-Gesellshaft Aktiengesellschaft in München
The Tokio Marine & Nichido Fire Insurance Co. Ltd
Mitsui Sumitomo Insurance Co. Ltd
Mapfre Global Risks Compañía International De Seguros Y Reaseguros, SA.

The Group handles claims arising from current and previous business underwritten, and manages the run-off of the British Aviation Insurance Group pool in the UK and Canada and the Associated Aviation Underwriters pool in the US. The Group also provides management services to a number of aerospace insurance operations in run-off. The Company is authorised and regulated by the Financial Conduct Authority as an insurance intermediary. The Group has its Head Office in the UK and has operating subsidiaries in the US and Canada and branch offices in Switzerland, France and Germany.

The financial performance of the Group depends primarily on the state of the aviation insurance market which has historically been cyclical. The income of the Group comes largely from management charges, fees and commissions charged to current and run-off pool members and depends upon the expenses of the Group, premiums written and pool profitability. The expenses of the Group together with any deficit arising in the Group's defined benefit retirement plans are charged to the pool members by way of a management charge. The profit of the Group is therefore derived from the management fees and profit commissions from the Global Aerospace Pool but also reflects the difference between the reimbursement of any deficit in the defined benefit retirement plans less any amounts recognised as expense during the year.

The business model of the Group also depends on it retaining its own regulatory approvals worldwide and the maintenance of a pool of financially strong insurers who can make available to the Group licensed insurance capacity in the jurisdictions in which the Group transacts aviation insurance worldwide.

The transacting of business from the European Union in the UK has hitherto been made possible by 'passporting' rights afforded by the FCA's regulation of the UK Company. The regulatory authorisation of the UK Company's branches in Europe has been achieved by the FCA's regulation of the UK Company. The Group is currently preparing for a post-Brexit situation where these provisions disappear. It is expected that the new arrangements being planned by the Group to access business from the European Union after Brexit will not result in a noticeable loss of the business currently transacted.

Over recent years the aviation insurance market has been highly competitive as a number of new entrants joined the market and sought to acquire business. In this trading environment the Group adopted a selective approach to pool underwriting as a result of which premium volumes have been declining since 2009, and this has been reflected in the Group's management fee. Despite this, underwriting results for the recent pool years have been relatively good and have generated a satisfactory level of profit commission.

Note 1 to the financial statements explains the various elements of Group income. The Group's income and Key Performance Indicators (KPIs) in 2016 includes the 2016 management fee and profit commission on the 2015 pool along with an update to the 2014 position. Income also includes the management charge in respect of the Group's expenses. Total income in 2016 was £55 million compared with £48 million in 2015. Because of the charging agreement with pool members, total comprehensive income for the year before currency translation movements is a KPI. This was £4.1 million in 2016 compared with £2.2 million in 2015.

The Group continues to develop and refine its underwriting approach and adopts a selective and disciplined approach to risk selection. The overall financial position at the end of the year was satisfactory and the directors expect this to continue.

In 2015 the Group acquired Fireside Partners Inc., a company which provides emergency response services in the USA. During 2016, many of Fireside's back office functions were integrated into the Group. Its sales in 2016 were $1.5 million and the result for the year was an $18,000 loss which was a substantial improvement on the $303,000 loss incurred in the previous year.

STRATEGIC REPORT

During the year, the shareholders extended the term of their loans from 30 June 2017 to 30 June 2022. The Group has adequate financial resources and enjoys the continued commitment of its pool members. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully. The 2017 pool members are unchanged from 2016. Terms in the agreement between the Company and its shareholders allow the Directors to require the shareholders to subscribe for further shares (up to the outstanding amount on the shareholders' loans) in the Company in order to enable the Company to avoid insolvency. This further strengthens the financial position of the Company.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the directors' report and financial statements.

Principal risks and uncertainties

The management of the business and execution of the Group's strategy are subject to a number of risks. The key business risks affecting the Group are set out below. Risks are formally reviewed by the Board and processes are in place to monitor and mitigate them.

Market conditions

The aviation market has historically been cyclical, with market premium rising and falling both as capacity leaves and enters the market and as losses affect trading results. During soft market conditions the business underwritten on behalf of pool members is likely to be less profitable. Underwriting losses could arise due to the potential for catastrophic losses. To mitigate these risks, the Group's underwriting strategy is based on prevailing market conditions and senior management closely monitors and manages the underwriting, which includes holding regular formal reviews. The underwriting is underpinned by loss models and pricing algorithms which are regularly reviewed and updated.

Employees

The Group's performance depends largely on the expertise and commercial judgments of its staff. The resignation of key individuals or the inability to recruit people with the right experience and skills could adversely impact the Group's results. To mitigate this risk the Group's employment and remuneration strategies contain a number of elements specifically aimed at retaining key staff.

Financial risks

The Group's activities expose it to financial risks, mainly credit risk, currency risk and interest rate risk. Credit risk arises on deposits with financial institutions and is managed by restricting such deposits to highly rated institutions only and by spreading deposits over several institutions. Currency risk arises as substantial amounts of the Group's income and assets are US dollar denominated. These exposures are monitored but not generally hedged. Interest rate risk arises as the Company has loans from shareholders at a floating Sterling interest rate. The significance of financial instruments to the Group's performance and financial position is further detailed in the financial instruments disclosure note to the financial statements (note 3).

Impact of Brexit

The Group is planning to change its structure in a way that will ensure that it can continue to transact business from the EU post Brexit. This will entail financial cost, but it is not expected that this will have a long-term adverse effect of the business done by the Group.

Approved and signed on behalf of the Board

S De Palma
Company Secretary
25 April 2017

DIRECTORS' REPORT

Group directors' report for the year ended 31 December 2016
The directors present their report and the audited consolidated financial statements for the year ended 31 December 2016.

Results and dividend
The profit of the Group before income tax for the year ended 31 December 2016 amounted to £6,768,000 (2015: £657,000). The profit for the year for the group was £4,854,000 (2015: £61,000). An interim dividend of £2,153,000 was paid in the year (2015: £3,478,000); no final dividend is proposed (2015: nil).

Directors and their interests
The names of the directors who held office during the year and up to the date of signing are shown on page 2.

None of the directors had any beneficial interest in the share capital of the group companies at the beginning of the year, during the year, or at the end of the year.

Directors' indemnities
The Company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors. A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of each of the Directors and the Company Secretary in respect of liabilities incurred as a result of their office, to the extent permitted by law.

Employees
The group encourages the involvement of employees by means of regular updates on business performance and forecasts, staff surveys and performance related remuneration.

The group is committed to employment policies which follow best practice based on equal opportunities for all employees irrespective of sex, race, disability or marital status. The group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. If members of staff become disabled, where possible, the group continues their employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Financial Instruments
The Company holds financial instruments to support unfunded pension and post-retirement benefits as described in Note 14.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the Company and of the profit or loss of the Company and Group for that period. In preparing these 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;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006.

DIRECTORS' REPORT

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

Disclosure of information to the Auditors

Each of the persons who is a director at the date of this report confirms that:

- so far as each of them is aware, there is no information relevant to the audit of the Company's consolidated financial statements for the year ended 31 December 2016 of which the auditors are unaware; and
- the director has taken all steps that he/she ought to have taken in his/her duty as a director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution to reappoint Mazars LLP as auditors to the Company will be put to the Annual General Meeting.

Approved and signed on behalf of the Board

S De Palma
Company Secretary
25 April 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLOBAL AEROSPACE UNDERWRITING MANAGERS LIMITED

We have audited the financial statements of Global Aerospace Underwriting Managers Limited for the year ended 31 December 2016 which comprise the Consolidated Balance Sheet, the Parent Company Balance Sheet, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Parent Company Statement of Changes in Equity, the Consolidated Cash Flows Statement, the Parent Company Cash Flows Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditor

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body for our audit work, for this report, or for the opinions we have formed.

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 web-site at www.frc.org.uk/auditscopeukprivate

Opinion on the 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 December 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and 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, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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.

Raymond Tidbury (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House, St. Katharine's Way
London E1W 1DD
25 April 2017

CONSOLIDATED BALANCE SHEET
as at 31 December 2016

	Note	**2016**	2015
		£'000	£'000
ASSETS			
Non-current assets			
Goodwill	4	**70,790**	59,349
Intangible assets	4	**1,351**	1,441
Property, plant and equipment	5	**2,579**	2,225
Deferred tax asset	7	**8,608**	7,005
Trade and other receivables	8	**2,316**	809
Other financial assets at fair value through profit or loss	9	**17,492**	13,663
Retirement plan assets	14	**1,663**	2,901
		104,799	87,393
Current assets			
Current tax asset		**958**	2,985
Trade and other receivables	8	**6,007**	5,380
Cash and cash equivalents	10	**21,309**	18,707
		28,274	27,072
Total Assets		**133,073**	114,465
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	11	**25,000**	25,000
Cumulative translation reserve	12	**11,791**	(1,778)
Retained earnings		**5,053**	3,092
Total Equity		**41,844**	26,314
Non-current liabilities			
Borrowings	16	**50,471**	50,487
Trade and other payables	13	**4,065**	3,559
Deferred tax liability	7	**34**	60
Retirement benefit obligations	14	**19,189**	16,746
Provisions and other liabilities	15	**248**	404
		74,007	71,256
Current liabilities			
Borrowings	16	**15**	41
Trade and other payables	13	**17,120**	16,854
Current tax liability		**87**	-
		17,222	16,895
Total Liabilities		**91,229**	88,151
Total Equity and Liabilities		**133,073**	114,465

The financial statements on pages 9 to 45 were approved by the Board on 25 April 2017 and signed on its behalf by

S A Michael
Director

A M E Tasker
Director

Registered number: 02512067

PARENT COMPANY BALANCE SHEET
as at 31 December 2016

	Note	2016	2015
		£'000	£'000
ASSETS			
Non-current assets			
Intangible assets	4	**200**	246
Property, plant and equipment	5	**949**	619
Investment in subsidiaries	6	**91,706**	91,706
Trade and other receivables	8	**1,005**	470
Retirement plan assets	14	**1,548**	2,676
		95,408	95,717
Current assets			
Trade and other receivables	8	**4,346**	3,256
Cash and cash equivalents	10	**8,354**	11,463
Current tax asset		**877**	881
		13,577	15,600
Total Assets		**108,985**	111,317
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	11	**25,000**	25,000
Retained earnings		**25,116**	24,341
Total Equity		**50,116**	49,341
Non-current liabilities			
Borrowings	16	**50,471**	50,487
Trade and other payables	13	**1,565**	1,139
Deferred tax liability	7	**26**	18
Provisions and other liabilities	15	**248**	404
		52,310	52,048
Current liabilities			
Borrowings	16	**15**	41
Trade and other payables	13	**6,544**	9,887
		6,559	9,928
Total Liabilities		**58,869**	61,976
Total Equity and Liabilities		**108,985**	111,317

The financial statements on pages 9 to 45 were approved by the Board on 25 April 2017 and signed on its behalf by

S A Michael
Director

A M E Tasker
Director

Registered number: 02512067

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Revenue		**54,877**	47,916
Administrative expenses	17	**(47,784)**	(45,709)
Operating profit		**7,093**	2,207
Finance income	19	**914**	594
Finance costs	19	**(1,239)**	(2,144)
Profit before income tax		**6,768**	657
Income tax expense	20	**(1,914)**	(596)
Profit for the year		**4,854**	61
Other comprehensive income (net of tax)			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligation		**(740)**	2,092
Total comprehensive income for the year before currency translation movements		**4,114**	2,153
Items that may be subsequently reclassified to profit or loss			
Currency translation difference	12	**13,569**	3,607
Total comprehensive income for the year		**17,683**	5,760

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

	Note	Share Capital £'000	Cumulative translation reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2015		25,000	(5,385)	4,417	24,032
Profit for the year				61	61
Other comprehensive income					
Currency translation differences	12		3,607		3,607
Remeasurement of defined benefit obligation				2,092	2,092
Total comprehensive income for the year					5,760
Transactions with owners					
Dividend paid				(3,478)	(3,478)
Balance at 1 January 2016		25,000	(1,778)	3,092	26,314
Profit for the year				4,854	4,854
Other comprehensive income					
Currency translation differences	12		13,569		13,569
Remeasurement of defined benefit obligation				(740)	(740)
Total comprehensive income for the year					12,829
Transactions with owners					
Dividend paid				(2,153)	(2,153)
Balance at 31 December 2016		25,000	11,971	5,053	41,844

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2015	25,000	24,982	49,982
Profit for the year		770	770
Other comprehensive income			
Remeasurement of defined benefit obligation		2,067	2,067
Total comprehensive income for the year			2,837
Transactions with owners			
Dividend paid		(3,478)	(3,478)
Balance at 31 December 2015	25,000	24,341	49,341
Balance at 1 January 2016	25,000	24,341	49,341
Profit for the year		3,850	3,850
Other comprehensive income			
Remeasurement of defined benefit obligation		(922)	(922)
Total comprehensive income for the year			2,928
Transactions with owners			
Dividend paid		(2,153)	(2,153)
Balance at 31 December 2016	25,000	25,116	50,116

Total recognised income and expense for the year is the same as profit for the year.

CONSOLIDATED CASH FLOWS STATEMENT
for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Cash flow from operating activities			
Cash generated from operations	23	**5,944**	8,375
Interest paid		**(20)**	(17)
Income tax refunded/(paid)		**303**	(1,986)
Net cash generated from operating activities		**6,227**	6,372
Cash flow from investing activities			
Acquisition of subsidiary net of cash		**-**	(390)
Purchases of property, plant and equipment (PPE)		**(899)**	(592)
Proceeds from sale of PPE		**-**	69
Purchases of intangible assets		**(644)**	(626)
Purchase of investments		**(939)**	-
Sale of investments		**-**	44
Realised gain/(loss) from sale of investments		**(9)**	68
Interest received		**683**	594
Net cash used in investing activities		**(1,808)**	(833)
Cash flow from financing activities			
Finance lease borrowings		**8**	85
Repayment of borrowings		**(48)**	(20)
Dividends paid to Company's shareholders		**(2,153)**	(3,478)
Interest paid on shareholder loan		**(1,247)**	(1,261)
Net cash used in financing activities		**(3,440)**	(4,674)
Net increase/(decrease) in cash and cash equivalents		**979**	865
Cash and bank overdrafts at beginning of year	10	**18,707**	17,366
Exchange gains on cash and bank overdrafts		**1,623**	476
Cash and bank overdrafts at end of the year	10	**21,309**	18,707

PARENT COMPANY CASH FLOWS STATEMENT
for the year ended 31 December 2016

	Note	**2016 £'000**	2015 £'000
Cash flow from operating activities			
Cash generated from operations	23	**1,074**	6,527
Interest paid		**(20)**	(17)
Income tax paid		**(607)**	(470)
Net cash generated from operating activities		**447**	6,040
Cash flow from investing activities			
Purchase of intangible assets		**(121)**	(139)
Purchases of property, plant and equipment (PPE)		**(707)**	(238)
Dividend received		**706**	1,575
Interest received		**23**	29
Net cash generated from investing activities		**(99)**	1,227
Cash flow from financing activities			
Finance lease borrowings		**8**	85
Repayment of borrowings		**(48)**	(20)
Dividends paid to Company's shareholders		**(2,153)**	(3,478)
Interest paid on shareholder loan		**(1,247)**	(1,261)
Net cash used in financing activities		**(3,440)**	(4,674)
Net increase/(decrease) in cash and bank overdrafts		**(3,092)**	2,592
Cash and bank overdrafts at beginning of year	10	**11,463**	8,871
Exchange losses on cash and bank overdrafts		**(17)**	-
Cash and bank overdrafts at end of the year	10	**8,354**	11,463

1. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of Global Aerospace Underwriting Managers Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, modified by the revaluation of financial assets at fair value through profit or loss. The going concern basis has been used.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

Consolidation

The consolidated financial statements comprise the financial statements of Global Aerospace Underwriting Managers Limited and its subsidiaries as at 31 December each year. No profit and loss account is presented for Global Aerospace Underwriting Managers Limited, as provided by Section 408 of the Companies Act 2006. The profit after tax of the Company for the year is £3,850,000 (2015: £770,000).

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of cost of acquisition over the fair value of the identifiable net assets is recorded as goodwill.

Intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Foreign currency

<u>Functional and presentation currency</u>
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in sterling, which is the parent company's functional and presentation currency.

1. **ACCOUNTING POLICIES (continued)**

Foreign currency transactions
Transactions in foreign currencies are translated into the functional currency at the exchange rate prevailing at the date of the transaction. Since most of the income in foreign currencies is earned over the year, the use of the average rate for the year is the most appropriate rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. 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 transaction.

Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

Financial statements of foreign operations
The results and financial position of all group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1) The assets and liabilities of foreign operations, including goodwill arising on consolidation, are translated to Sterling at exchange rates at the balance sheet date.
2) The revenues and expenses of foreign operations are translated to sterling at rates approximating the exchange rates at the dates of the transactions.

Net investment in foreign operations
Exchange differences arising at year end from the translation of net investment in foreign operations are taken to the translation reserve.

Property, plant and equipment

All property, plant and equipment are shown at cost less subsequent depreciation.

Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life as follows:

Computer Equipment	2-3 years
Equipment	5-6 years
Aircraft and motor vehicles	4-5 years
Bicycles	1.5 years

Equipment includes furniture and fixtures. Leasehold improvements are depreciated over the length of the lease.

Intangible assets

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. The costs are amortised on the basis of the expected useful life (2-3 years).
Computer software development costs recognised as assets are amortised using the straight line method over their useful lives (2-3 years).

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill has an indefinite useful life and is tested annually for impairment, or more frequently if events or changes in circumstances indicate potential impairment, and carried at cost less accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to individual subsidiaries as these are regarded as being individual cash generating units (CGUs).

Goodwill arising on acquisitions before the transition to IFRS on 1 January 2004 has been retained at the previous UK GAAP amounts subject to being tested for impairment.

1. **ACCOUNTING POLICIES (continued)**

Investments

Investments are held to back unfunded pension liabilities. These investments have been designated as other financial assets at fair value through profit or loss. Purchases and sales of investments are recognised on the date of trade. The fair value of the mutual fund is based on its net asset value per share.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Borrowings

Borrowings are recognised initially at fair value and their carrying amount thereafter approximates their fair value. Borrowings are classified as non-current liabilities as the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Deferred taxation

Deferred taxation is recognised on all taxable temporary differences using the liability method. In addition, a deferred tax asset is recognised to the extent that it is probable that a taxable surplus will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Pension obligations

The Group operates defined benefit pension schemes and defined contribution savings plans. Separate schemes are offered to employees in the United Kingdom, United States of America, Canada, France, Switzerland and Germany. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligations.

Actuarial gains and losses that arise from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Past service costs are recognised immediately in income.

For defined contribution plans, amounts payable to the plan are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available. The group has no further payment obligations once the contributions have been paid.

Other post-retirement benefits

In the United States of America post-retirement healthcare is provided to certain retirees. The entitlement to those benefits is conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments are charged or credited to comprehensive income.

1. **ACCOUNTING POLICIES (continued)**

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Income

Management fee income
A management fee of 2% of gross written premium of the Global Aerospace pools is charged to the members of the 2001 and subsequent pools. Gross written premium is based upon reported gross written premium of the pool, net of broker commissions and other deductions. Once this has been established for a given year, no further adjustment is made.

Management charge income
Management charges to pool members, former pool members and other managed entities are made on the basis of expenses incurred including the remeasurement of defined benefit obligations after crediting interest so as to recover the costs of providing management services. The timing of the recognition of expense and associated management charge may not always coincide. To the extent that it does not coincide, the Group accrues or defers accounted income so as to match the accounted income to the expenses recognised in the accounting period.

Reinsurance commissions
Reinsurance commissions are credited to income based on estimated reinsurance premiums attributable to inwards insurance business of the pools incepting during the year, and include amounts arising from adjustments to estimates of previous years. This income is credited against the management charges made to managed entities.

Profit commission
Profit commission arising from an individual underwriting year is credited to the statement of comprehensive income in the second year after the commencement of the underwriting year which is when the profit commission can be reliably estimated. In the third year an adjustment is made for the actual profit commission receivable when finally determined. Where an underwriting year makes a loss, the reduction this makes to the profit commission for the next profitable underwriting year is recognised when that profit commission is credited.

Leases

The group leases certain property, plant and equipment.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight line basis over the period of the lease. Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

Leases where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

1. **ACCOUNTING POLICIES (continued)**

Dividend distribution

Dividend distribution to the Company's shareholders is not recognised in the Group's financial statements until dividends are approved by the board and paid.

Changes to accounting standards

New and amended standards adopted by the group
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 but have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

New standards and interpretations not yet adopted
IFRS 9: 'Financial Instruments' sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The standard replaces IAS 39 'Financial Instruments - Recognition and Measurement.' The standard is effective for annual periods beginning on or after 1 January 2018. The main features of IFRS 9 which differ from IAS 39 are the classification and measurement of financial assets, the impairment requirements for expected credit losses and the classification and measurement of hedging.

The adoption of IFRS 9 is not expected to have a material impact on the group financials because the required classification and measurement of the group's financial assets is similar to IAS 39 which is used presently. The group routinely impairs financial assets where credit losses are expected and the group does not employ hedge accounting.

IFRS 15: 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled.

The adoption of IFRS 15 is not expected to have an impact on the group financials but may impact on the notes of the financial statements through increased disclosure requirements.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimated impairment of goodwill and investments in subsidiaries

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 1 above. The recoverable amount of a cash-generating unit (CGU) is determined based on cash flows of the underwriting pool. These calculations require the use of estimates of premiums written, loss ratios and the timing of cash flows (see note 4).

Pension Benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The group determines the appropriate discount rate at the end of each year. This is the interest rate used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high quality corporate bonds denominated in the currency in which the benefits will be paid, and with terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 14.

3. FINANCIAL RISKS

The financial instruments held by the Group and Company are as follows:

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Loans and receivables				
Cash and cash equivalents	**21,309**	18,707	**8,354**	11,463
Trade and other receivables	**6,811**	5,322	**4,624**	3,059
Assets at fair value through profit and loss				
Other financial assets at fair value through profit and loss	**17,492**	13,663	-	-
Other financial liabilities				
Trade and other payables	**18,359**	18,329	**8,108**	10,936
Finance lease liabilities	**66**	108	**66**	108
Borrowings	**50,420**	50,420	**50,420**	50,420

The carrying amount of financial instruments approximates to their fair value.

The Group charges all expenses incurred in managing pool business and other entities directly to those pool members and other entities. Funds for those expenses are generally collected in advance and expenses charged are reduced by interest received on such funds held. Accordingly, with the exception of credit risk, any risks giving rise to changes in the net expenses charged to pool members and other entities has no effect on the Group's profit or shareholders' equity.

The main risks arising from the use of financial instruments by the Group are credit risk, market risk (encompassing currency risk, interest rate risk and other price risk) and liquidity risk. The Group's exposure to these risks and how the exposure is managed is set out below:

3. FINANCIAL RISKS (continued)

3a) Credit risk

Credit risk arises on deposits with financial institutions and is managed by restricting such deposits to highly rated institutions only. Credit risk also arises on trade and other receivables as debtors could default on their obligation to pay monies due to the Group. Most of the amounts due to the group are from either current or past pool members and the frequency of default of debtors has historically been low. The carrying amount of financial assets included in the balance sheet represents the maximum credit exposure for the Group/Company. None of the debtors has been impaired at year end (2015: none); debtors past their due dates at year end are:

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Under one month	**306**	59	**248**	49
Two to six months	**199**	120	**85**	51
Six months to one year	**2**	22	**2**	8
More than one year	**17**	-	**17**	-
	524	201	**352**	108

3b) Market risk

Currency risk

The Group is exposed to currency risk on items that are denominated in a currency other than the respective functional currency of the Group entities. The risk arises primarily for the UK parent company as substantial amounts of the Group's income and receivables are US dollar denominated. As the Group's net income is expected to be distributed to shareholders by way of dividends, and as each shareholder's functional currency is different (and not sterling) these exposures are not hedged. Foreign currency income is sold at spot rates to fund the tax, interest and dividend cash flows which are denominated in sterling. The Group's sensitivity to changes in the USD:GBP rate of exchange is shown below.

The Group and Company had the following exposures to the US Dollar (based on notional amounts):

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Cash and cash equivalents	**13,369**	7,354	**413**	109
Trade and other receivables	**9,145**	9,273	**6,958**	7,342
Other financial assets at fair value through profit and loss	**17,492**	13,663	**-**	-
Trade and other payables	**(11,133)**	(9,283)	**(882)**	(2,223)
	28,873	21,007	**6,489**	5,228

At 31 December 2016, £1= US $1.2357 (2015: US $1.4739) and the average exchange rate during the year was £1 = US $1.3542 (2015: US $1.5286).

3. FINANCIAL RISKS (continued)
3b) Market risk (continued)

Movements in the value of financial instruments arising from movements in the value of the US dollar at 31 December would have had the following effects on profit after tax and equity:

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Profit				
Increase of 10 %	**(149)**	(5)	**(149)**	(5)
Decrease of 10 %	**182**	7	**182**	7
Equity		-		-
Increase of 10 %	**(2,184)**	(1,440)	**(149)**	(5)
Decrease of 10 %	**2,669**	1,760	**182**	7

Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Variable rate instruments				
Loans and receivables				
Cash and cash equivalents	**21,309**	18,707	**8,354**	11,463
Other financial assets at fair value through profit and loss	**17,492**	13,663	-	-
Other financial liabilities				
Borrowings	**50,420**	50,420	**50,420**	50,420

Short term interest rate risk primarily arises as the Company has loans from shareholders at a floating sterling interest rate. Interest payable on the loan is at a rate of two percent above the National Westminster Bank base rate. Part of this risk is offset by the interest-bearing cash balances the Group holds in the US and UK. However, to the extent that cash is held to cover expenses and post retirement obligations, the interest is treated as a credit to the management charge so changes in the interest rate will have no overall impact on profit as they will result in an increase or decrease in the management charge. During 2016, the UK base rate averaged 0.40% (2015: 0.50%); had it been zero throughout the year and had no interest been paid on bank balances, the increase in profit after tax would have been £201,000 (2015: £201,000). Had the interest rate been 1% higher in 2016, profit after tax would have been £402,000 lower (2015: £402,000) lower.

Longer term interest rate risk arises on investments in bond funds. Investments are held to support various post retirement benefit plans and are limited to the liability associated with those plans. They are designated as fair value though profit or loss in order to avoid any accounting mismatch with the pension charge in the income statement. A one percent change in long term interest rates would have resulted in a movement of £2,407,000 (2015: £1,696,000) in valuation. There would have been no change in profit after tax as the management charge income would be adjusted to reflect the change in value.

3c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Funding for the Group's operating expenses is received from pool members in advance each quarter. Other significant cash out flows, mainly loan interest and tax, are expected to be covered by the management fee from the insurance pools and dividends from subsidiaries and are monitored via a cash flow forecast. Cash balances are monitored regularly, at least on a weekly basis.

3. FINANCIAL RISKS (continued)
3c) Liquidity risk (continued)

A maturity analysis for financial liabilities showing the remaining contractual maturities is shown below:

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Trade and other payables				
Less than one year	**16,200**	15,038	**6,544**	9,887
1 to 2 years	**2,666**	2,762	**1,565**	1,049
2 to 5 years	**169**	278	**-**	-
More than 5 years	**295**	250	**-**	-
Borrowings				
Less than one year	**-**	-	**-**	-
1 to 2 years	**50,420**	50,420	**50,420**	50,420
Finance lease liabilities				
Less than one year	**15**	41	**15**	41
1 to 2 years	**36**	15	**36**	15
2 to 5 years	**15**	52	**15**	52

3d) Capital management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern, to provide returns for shareholders, to maintain adequate capital to meet regulatory requirements in the UK and to maintain an efficient capital structure to ensure an optimal cost of capital. The Group's capital consists of equity and borrowings in the form of a loan from the shareholders. The agreement described above in note 3c) substantially reduces the risk that notice from the shareholders to the Company to repay the loans would lead to insolvency of the Company. Because of the business model of the Group whereby the Group's expenses are reimbursed by the companies to which it provides services, the Group can normally distribute as dividends its comprehensive income for the year excluding currently translation difference.

The parent Company needs to maintain a minimum level of capital to meet FCA regulatory requirements. Compliance with these requirements is reviewed regularly including a formal board review of capital adequacy which includes stress and scenario testing. The Company has complied with the FCA requirements during the year.

3e) Fair value estimation

Effective 1 January 2013, the group adopted IFRS 13 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The financial instruments totalling £17,492,045 constitute £17,165,500 of bond fund investments and £326,545 of equity investments held by the group. In 2015 the financial instruments totalling £13,662,729 constituted £13,392,389 of bond fund investments and £270,341of equity investments held by the group. These are valued at their net asset value and are all categorised as level 1.

4. INTANGIBLE ASSETS

A) Group

	Goodwill £'000	Software £'000
At 1 January 2016		
Cost or valuation	85,946	9,091
Accumulated amortisation	(26,597)	(7,650)
Net book amount	59,349	1,441
Twelve months ended 31 December 2016		
Opening net amount at 1 January 2016	59,349	1,441
Exchange differences	11,441	230
Additions	-	644
Amortisation charge	-	(964)
Net book amount	70,790	1,351
At 31 December 2016		
Cost or valuation	102,513	10,843
Accumulated amortisation	(31,723)	(9,492)
Net book amount	70,790	1,351

Goodwill is allocated to the Group's CGUs identified according to the country of operation.

The recoverable amount of a CGU is determined based on returns of the underwriting pool managed by that CGU. These calculations use cash flow projections which extend forward to a terminal value. The cash flows are based on financial forecasts approved by management, covering a five year period, and are discounted to net present value using an after tax discount rate of 7.25%. They assume that premium income will increase over the next five years that loss ratios will not be materially different from current trading and that investment income on funds generated will be 1.84% p.a. An alternative value in use model has also been used to support the recoverable amount which is based on the projected cash flows arising from the income streams of the agency, covering a five year period, and discounted to net present value using an after tax discount rate of 7.22%.

B) Company

	Software £'000
At 1 January 2016	
Cost or valuation	2,272
Accumulated amortisation and impairment	(2,026)
Net book amount	246
Twelve months ended 31 December 2016	
Opening net amount at 1 January 2016	246
Additions	121
Amortisation charge	(167)
Net book amount	200
At 31 December 2016	
Cost or valuation	2,393
Accumulated amortisation and impairment	(2,193)
Net book amount	200

5. PROPERTY, PLANT AND EQUIPMENT

A) Group

	Computer Equipment £'000	Equipment £'000	Aircraft and Motor Vehicles £'000	Total £'000
At 1 January 2016				
Cost or valuation	2,203	5,757	483	8,443
Accumulated depreciation	(1,920)	(3,849)	(449)	(6,218)
Net book amount	283	1,908	34	2,225
Twelve months ended 31 December 2016				
Opening net amount at 1 January 2016	283	1,908	34	2,225
Transfers in /(out)	15	(15)	-	-
Exchange differences	46	275	6	327
Additions	268	631	-	899
Disposals	-	(6)	-	(6)
Depreciation charge	(231)	(617)	(18)	(866)
Closing net book value at 31 December 2016	381	2,176	22	2,579
At 31 December 2016				
Cost or valuation	2,256	7,161	438	9,846
Accumulated depreciation and exchange	(1,875)	(4,985)	(416)	(7,267)
Net book amount	381	2,176	22	2,579

B) Company

	Computer Equipment £'000	Equipment £'000	Total £'000
At 1 January 2016			
Cost or valuation	1,054	1,543	2,597
Accumulated depreciation	(920)	(1,058)	(1,978)
Net book amount	134	485	619
Twelve months ended 31 December 2016			
Opening net amount at 1 January 2016	134	485	619
Transfers in /(out)	15	(15)	-
Exchange differences	11	6	17
Additions	183	524	707
Disposals	-	(6)	(6)
Depreciation charge	(116)	(272)	(388)
Closing net book value at 31 December 2016	227	722	949
At 31 December 2016			
Cost or valuation	1,300	1,974	3,274
Accumulated depreciation	(1,073)	(1,252)	(2,325)
Net book amount	227	722	949

Equipment includes the following amounts where the Group and Company is a lessee under a finance lease:

	2016 £'000	2015 £'000
Cost or valuation	**191**	191
Accumulated depreciation	**(124)**	(44)
Net book amount	**67**	147

The Group and Company leases certain equipment under a non-cancellable finance lease agreement. The lease term is 5 years, and ownership of the assets lies within the group.

6. INVESTMENT IN SUBSIDIARY

	2016 £'000	2015 £'000
At 1 January	**91,706**	91,706
Additions in the year	**-**	-
At 31 December	**91,706**	91,706

Details of Investments in Subsidiaries can be found in Note 25.

7. DEFERRED TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Deferred tax assets:				
Deferred tax asset to be recovered after more than 12 months	**8,295**	6,966	**237**	464
Deferred tax asset to be recovered within 12 months	**813**	905	**-**	-
	9,108	7,871	**237**	464
Deferred tax liabilities				
Deferred tax liability to be paid after more than 12 months	**534**	926	**263**	482
Deferred tax liability to be paid within 12 months	**-**	-	**-**	-
	8,574	6,945	**(26)**	(18)
The gross movement on the deferred income tax account is as follows:				
At beginning of the year	**6,945**	7,989	**(18)**	615
Exchange differences	**1,366**	403	**-**	-
Income statement charge	**212**	(867)	**(486)**	(98)
Adjustment in respect of prior years	**(47)**	(37)	**248**	(10)
Tax charge/(credit) relating to components of other comprehensive income	**98**	(543)	**230**	(525)
	8,574	6,945	**(26)**	(18)
Disclosed in the balance sheet as:				
Deferred tax asset	**8,608**	7,005	**-**	-
Deferred tax liability	**(34)**	(60)	**(26)**	(18)
	8,574	6,945	**(26)**	(18)

Reductions in the rate of UK corporation tax from 20% to 19% from 1 April 2017 and from 19% to 17% from 1 April 2020 were substantively enacted by 31 December 2016. The valuation of the deferred tax liability in the UK reflects these changes.

7. DEFERRED TAX (continued)

The deferred tax balance is analysed below. All items are charged through the statement of comprehensive income.

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Fixed asset decelerated capital allowances	**81**	74	**71**	67
Employee remuneration liabilities	**632**	750	**166**	293
Non-compete agreement	**-**	-	**-**	-
Other timing differences	**300**	648	**-**	-
Post retirement obligations	**8,095**	6,295	**-**	-
Amounts in respect of tax losses	**-**	104	**-**	104
Total gross deferred tax asset	**9,108**	7,871	**237**	464
Fixed asset accelerated capital allowance	**240**	77	**-**	-
Employee remuneration liabilities	**-**	307	**-**	-
Pension asset	**294**	542	**263**	482
Total gross deferred tax liability	**534**	926	**263**	482
Deferred tax asset/ (liability)	**8,574**	6,945	**(26)**	(18)

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
NON-CURRENT				
Other receivables	**58**	67	**26**	40
Accrued income	**2,258**	742	**979**	430
	2,316	809	**1,005**	470
CURRENT				
Amounts owed by subsidiaries	**-**	-	**2,465**	838
Trade receivables	**3,835**	3,224	**1,012**	807
Other receivables	**257**	331	**168**	311
Prepayments	**1,485**	1,158	**701**	628
Accrued income	**430**	667	**-**	672
	6,007	5,380	**4,346**	3,256

9. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	£'000	£'000
Value at 1 January	**13,663**	13,872
Gain/(Loss) on investments	**855**	(932)
Additions	**314**	550
Exchange differences	**2,737**	770
Disposals	**(77)**	(597)
Value at 31 December	**17,492**	13,663

Other financial assets at fair value through profit or loss include the following:

	2016	2015
Investments in bond funds	**17,166**	13,393
Investments in equity funds	**326**	270
Value at 31 December	**17,492**	13,663

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Cash at bank and in hand	**6,412**	7,283	**4,358**	6,026
Short-term bank deposits	**14,897**	11,424	**3,996**	5,437
	21,309	18,707	**8,354**	11,463

Cash and cash equivalents for the purposes of the cash flow statement are the same as those listed above.

11. SHARE CAPITAL

	2016	2015
	£'000	£'000
Authorised, allotted, called up and fully paid 25,000,000 (2015:25,000,000) Ordinary shares of £1 each	25,000	25,000

12. CUMULATIVE TRANSLATION RESERVE

	2016 £'000	2015 £'000
At 1 January	(1,778)	(5,385)
Exchange adjustments	13,569	3,607
At 31 December	11,791	(1,778)

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
NON-CURRENT				
Accruals and deferred income	4,065	3,559	1,565	1,139
	4,065	3,559	1,565	1,139
CURRENT				
Amount due to subsidiaries	-	-	1,214	619
Other payables	12,179	10,829	2,111	6,277
Accruals and deferred income	4,941	6,025	3,219	2,991
	17,120	16,854	6,544	9,887

14. POST-RETIREMENT BENEFITS

The Group has a number of pension and post-retirement benefit schemes for its employees. Schemes are administered in accordance with local laws and practice. The principal schemes are the ones established in the UK and US, which together cover the vast majority of the employees in the Group.

The UK scheme provides defined contribution type pension benefits for employees who joined on or after 1 January 2002 and mainly defined benefit type pension benefits to employees who joined the Company prior to 1 January 2002. In December 2008, the UK defined benefit scheme was amended for future service to restrict future increases in pensionable pay to RPI for employees earning more than a specified salary threshold.

The UK government is planning to equalise Guaranteed Minimum Pensions between men and women but the method of doing this has not been finalised so it has not been possible to quantify any additional liability. Also, the Trustees are currently conducting an exercise to review the correctness of pensions currently in payment and the outcome of this may affect the scheme's liabilities but the impact is not expected to be material.

In the US there is a defined contribution savings scheme, a funded scheme of the defined benefit type with assets held in a separate trustee administered fund and a further defined benefit scheme (the US supplemental pension scheme) for which the company holds assets but not within a trust fund. During 2004, most US employees ceased to accrue further service under the defined benefit scheme. In 2011, the US funded defined benefit pension scheme was amended to cease accruals for highly compensated employees, and benefits under the supplemental scheme were frozen as of 31 December 2011. The remaining scheme members continued to accrue further service in the defined benefit scheme until 31 July 2014. Since August 2014 US employees have accrued defined contribution type pension benefits only. In 2015, annuities for all pensioner members of the US defined benefit scheme were purchased for £32,003,000. The purchase of these annuities was funded through the liquidation of scheme assets; a corresponding £31,557,000 reduction in scheme liabilities was realised as a result of the purchase.

In Canada, two smaller schemes are operated: a defined benefit scheme and a defined contribution scheme which was introduced with effect from 1 January 2003. Employees joining the company on or after 1 May 2002 are eligible for membership of the defined contribution scheme, while employees who were members of the defined benefit scheme were able to elect to remain in that scheme or transfer their membership to the new scheme.

The Group provides defined benefit medical and dental post-retirement benefits to employees in the US. The cost and obligation is accrued and recognised over the period of relevant employee service. This scheme closed to new members with effect from 31 December 2002. Medical benefits under the scheme are provided through a fully insured Medicare supplement program for participants over the age of 65. Medical benefits for participants under the age of 65 are provided through the company's primary medical insurance program.

The amounts recognised in the balance sheet for retirement benefit obligations are determined as follows:

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Present value of funded pension obligation	**103,780**	84,836	**84,998**	68,701
Fair value of pension scheme assets	**(103,950)**	(85,116)	**(86,546)**	(71,377)
	(170)	(280)	**(1,548)**	(2,676)
Present value of unfunded pension obligation	**2,579**	2,245	**-**	-
Total deficit of defined benefit pension schemes	**2,409**	1,965	**(1,548)**	(2,676)
Present value of post-employment medical benefit obligation	**15,118**	11,880	**-**	-
Net retirement benefit obligation	**17,526**	13,845	**(1,548)**	(2,676)
Retirement plan assets in balance sheet	**(1,663)**	(2,901)	**(1,548)**	(2,676)
Retirement benefit obligations in balance sheet	**19,189**	16,746	**-**	-
	17,526	13,845	**(1,548)**	(2,676)

14. POST-RETIREMENT BENEFITS (continued)

14.1 Defined benefit pension schemes

14.1a Analysis of movement in the net funded obligation

	Group			Company		
	Present value of obligation £'000	Fair value of scheme assets £'000	Total £'000	Present value of obligation £'000	Fair value of scheme assets £'000	Total £'000
At 1 January 2015	118,960	(113,083)	5,877	70,647	(70,848)	(201)
Current service cost	881	-	881	792	-	792
Settlement due to annuity purchase	(31,557)	32,003	446	-	-	-
Administration expenses	-	56	56	5	(5)	-
Interest expense/(income)	4,441	(4,215)	226	2,651	(2,670)	(19)
	(26,235)	27,844	1,609	3,448	(2,675)	773
Return on scheme assets excluding amounts included in interest expense	-	2,745	2,745	-	993	993
Actuarial (gain)/loss arising from:						
change in demographic assumptions	250	-	250	250	-	250
change in financial assumptions	(3,687)	-	(3,687)	(1,737)	-	(1,737)
Experience (gains)/losses	(1,333)	-	(1,333)	(2,096)	-	(2,096)
	(4,770)	2,745	(2,025)	(3,583)	993	(2,590)
Exchange differences	1,097	(848)	249	-	-	-
Employee contributions	5	(5)	-	-	-	-
Employer contributions	-	(5,990)	(5,990)	-	(658)	(658)
Benefits paid	(4,220)	4,220	-	(1,811)	1,811	-
At 31 December 2015	84,837	(85,117)	(280)	68,701	(71,377)	(2,676)
At 1 January 2016	84,837	(85,117)	(280)	68,701	(71,377)	(2,676)
Current service cost	749	-	749	653	-	653
Settlement due to annuity purchase	-	(12)	(12)	-	-	-
Administration expenses	-	115	115	-	-	-
Interest expense/(income)	3,443	(3,485)	(42)	2,730	(2,849)	(119)
	4,192	(3,382)	810	3,383	(2,849)	534
Return on scheme assets excluding amounts included in interest expense	-	(14,480)	(14,480)	-	(14,359)	(14,359)
Actuarial (gain)/loss arising from:						
change in demographic assumptions	(3,403)	-	(3,403)	(2,576)	-	(2,576)
change in financial assumptions	19,747	-	19,747	19,135	-	19,135
Experience (gains)/losses	(1,456)	-	(1,456)	(1,048)	-	(1,048)
	14,888	(14,480)	408	15,511	(14,359)	1,152
Exchange differences	3,159	(2,836)	323	-	-	-
Employee contributions	-	-	-	-	-	-
Employer contributions	-	(1,431)	(1,431)	-	(558)	(558)
Benefits paid	(3,296)	3,296	-	(2,597)	2,597	-
At 31 December 2016	103,780	(103,950)	(170)	84,998	(86,546)	(1,548)

14. POST-RETIREMENT BENEFITS (continued)

Assets/liabilities are held in respect of the net benefit obligation as follows:	**2016**	2015
	£'000	£'000
Cash	**1,121**	1,914
Due (to)/from pool members	**(1,291)**	(2,194)
	(170)	(280)

14.1b Analysis of movement in the net unfunded obligation

	Group Present value of obligation £'000
At 1 January 2015	2,233
Interest expense/(income)	80
	80
Actuarial (gain)/loss arising from:	
change in financial assumptions	(67)
Experience (gains)/losses	15
	(52)
Exchange differences	126
Benefits paid	(142)
At 31 December 2015	2,245
At 1 January 2016	2,245
Interest expense/(income)	93
	93
Actuarial (gain)/loss arising from:	
change in demographic assumptions	(73)
change in financial assumptions	36
Experience (gains)/losses	15
	(22)
Exchange differences	423
Benefits paid	(161)
At 31 December 2016	2,578

Assets/liabilities are held in respect of the net benefit obligation as follows:	**2016**	2015
	£'000	£'000
Cash	-	26
Investments at fair value through profit or loss	**2,731**	2,219
Due (to)/from pool members	**(153)**	-
	2,578	2,245

14. POST-RETIREMENT BENEFITS (continued)

14.2 Post-employment medical benefits

The movement in the net unfunded post-retirement medical obligation over the year is as follows:

	Group
	Present value of obligation £'000
At 1 January 2015	11,528
Current service cost	294
Interest expenses/(income)	464
	758
Actuarial (gain)/loss arising from:	
change in financial assumptions	(992)
Experience (gains)/losses	433
	(559)
Exchange differences	657
Employee contributions	152
Benefits paid	(656)
At 31 December 2015	11,880
At 1 January 2016	11,880
Current service cost	317
Interest expenses/(income)	574
	891
Actuarial (gain)/loss arising from:	
change in demographic assumptions	(700)
change in financial assumptions	468
Experience (gains)/losses	696
	464
Exchange differences	2,373
Employee contributions	154
Benefits paid	(644)
At 31 December 2016	15,118

Assets/liabilities are held in respect of the net benefit obligation as follows:	**2016**	2015
	£'000	£'000
Cash	**683**	707
Investments at fair value through profit or loss	**14,435**	11,173
Due (to)/from pool members		-
	15,118	11,880

14. POST-RETIREMENT BENEFITS (continued)

14.3 Post-employment benefits (pension and medical)

The significant actuarial assumptions used in determining pension and post-employment benefit obligations for the Group's schemes are shown below:

	2016			2015		
	UK	**US**	**Canada**	UK	US	Canada
Discount rate	**2.9%**	**3.9%**	**3.9%**	4.1%	4.2%	4.1%
Salary growth rate	**3.5%**	**N/A**	**3.3%**	3.9%	N/A	3.3%
Pension growth rate	**3.5%**	**N/A**	**N/A**	3.4%	N/A	N/A
Deferred pension growth rate	**2.5%**	**N/A**	**N/A**	2.4%	N/A	N/A
Medical inflation	7.40% in 2017 trending to 4.70% in 2059 and thereafter			5.80% in 2016 trending to 3.00% in 2045 and thereafter		
Average life expectancy for pensioners aged 62, in years:						
Male	**25.4**	**25.1**	**24.2**	26.0	26.0	24.1
Female	**27.6**	**26.7**	**26.8**	28.2	27.8	26.8

Mortality assumptions for 2016 in the UK are from the PCxA00 tables with the CMI 2015 projections and a long term rate of improvement of 1.00%; and for 2015 are from the PCxA00 tables with the CMI 2014 projections and a long term rate of improvement of 1.25%. Mortality assumptions for 2016 in the US are from the RP 2014 Mortality Table (with White Collar adjustments) adjusted backward to 2006 with Scale MP-2014 and projected forward with Scale MP-2016; and for 2015 are from the RP 2014 Mortality Table (with White Collar adjustment) and MP2014 scale. In Canada they are from the 2014 CPM Private Sector Mortality Table with Improvement Scale B for 2015 and 2016.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Group	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption £'000	Decrease in assumption £'000
Discount rate	+/-1%	Decrease by 19,839	Increase by 26,266
Salary growth rate	+/-1%	Increase by 2,639	Decrease by 2,331
Pension growth rate	+/-1%	Increase by 12,663	Decrease by 10,436
Deferred pension growth rate	+/-1%	Increase by 2,507	Decrease by 2,380
Medical inflation	Trend +/-1%	Increase by 2,876	Decrease by 2,275
Life expectancy	+/-1 year	Increase by 4,557	Decrease by 4,628

Company	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption £'000	Decrease in assumption £'000
Discount rate	+/-1%	Decrease by 15,147	Increase by 20,358
Salary growth rate	+/-1%	Increase by 2,463	Decrease by 2,184
Pension growth rate	+/-1%	Increase by 12,663	Decrease by 10,436
Deferred pension growth rate	+/-1%	Increase by 2,507	Decrease by 2,380
Life expectancy	+/-1 year	Increase by 3,434	Decrease by 3,514

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension obligation recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous period.

14. POST-RETIREMENT BENEFITS (continued)

14.3 Post-employment benefits (pension and medical) (continued)

Scheme assets are comprised as follows:

Group	**2016**				2015			
	Quoted £'000	**Unquoted £'000**	**Total £'000**	%	Quoted £'000	Unquoted £'000	Total £'000	%
Equity instruments	**31,265**	**-**	**31,265**	**30.1%**	24,173	-	24,173	28.4%
Debt instruments	**40,693**	**-**	**40,693**	**39.2%**	30,778	-	30,778	36.2%
Annuities	**-**	**30,902**	**30,902**	**29.7%**	-	28,028	28,028	32.9%
Cash and cash equivalents	**-**	**1,090**	**1,090**	**1.0%**	-	2,137	2,137	2.5%
Total	**71,958**	**31,992**	**103,950**	**100.0%**	54,951	30,165	85,116	100.0%

Company	**2016**				2015			
	Quoted £'000	**Unquoted £'000**	**Total £'000**	%	Quoted £'000	Unquoted £'000	Total £'000	%
Equity instruments	**28,490**	**-**	**28,490**	**32.9%**	22,095	-	22,095	30.9%
Debt instruments	**26,659**	**-**	**26,659**	**30.8%**	20,969	-	20,969	29.4%
Annuities	**-**	**30,902**	**30,902**	**35.7%**	-	28,028	28,028	39.3%
Cash and cash equivalents	**-**	**495**	**495**	**0.6%**	-	285	285	0.4%
Total	**55,149**	**31,397**	**86,546**	**100.0%**	43,064	28,313	71,377	100.0%

14.4 Risks

Through its defined benefit pension schemes and post-employment medical schemes, the Group is exposed to a number of risks, the most significant of which are detailed below:

14.4a) Asset Volatility

For the purposes of these financial statements the defined benefit scheme obligations are calculated using a discount rate set with reference to corporate bond yields; if scheme assets underperform this yield, ceteris paribus, scheme funding will deteriorate. Both the UK and US schemes hold a proportion of their investments in equities, which are expected to outperform bonds in the long-term while providing increased volatility and risk in the short-term. The UK scheme has a policy of purchasing annuities in respect of pensioner obligations when trustees consider it cost effective to do so.

The Group believes that due to the long-term nature of the scheme obligations and the strength of the supporting Group, a level of continuing equity investment is an appropriate element of the Group's long term strategy to manage the schemes cost effectively. See below for more details on the Group's asset-obligation matching strategy.

As the schemes mature, the Group intends to reduce the level of investment risk by investing more in assets that better match the obligations.

14.4b) Changes in bond yields

A decrease in bond yields will increase scheme obligations, although this will be partially offset by an increase in the value of the schemes' bond holdings.

14.4c) Inflation risk

The UK scheme's obligations are linked to inflation, and higher inflation will lead to higher obligations. The scheme's bond assets are entirely index linked government bonds of long duration which will move broadly in line with the obligations as inflation expectations change. Equity investments are loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

The US medical scheme is exposed to inflation in medical costs.

The US pension payments are not linked to inflation, so this is not a relevant risk.

14. POST-RETIREMENT BENEFITS (continued)

14.4d) Life expectancy

The majority of the schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the schemes' obligations. This is particularly significant in the UK scheme, where inflationary increases to pensions result in higher sensitivity to changes in life expectancy.

14.4e) Insurer default risk

As a significant proportion of the UK scheme's assets are held in annuities, the scheme bears the risk of the insurance company defaulting on the payments, resulting in the scheme being forced to make additional pension payments.

14.5 Asset matching and funding

14.5a) Asset matching

For the funded schemes, the Group ensures that a portion of the schemes' investments are invested in bonds of a broadly similar duration to and in the same currency as, the schemes' obligations. The Group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

A significant proportion of the UK scheme assets are held in annuity policies in respect of all of the current pensioner obligations in the scheme. The Scheme has historically bought annuities in respect of pensioner obligations and further purchases may be made in the future for new pensioners. The UK scheme has a de-risking trigger in place such that when the estimated funding level reaches specific target levels, a fixed proportion of the assets is moved from equities into index-linked gilts. Equities are invested in a globally diversified portfolio of international entities, generally via index tracking funds offered by leading international investment managers.

The US scheme used £32.0 million of assets to purchase annuities during 2015; the remaining assets are invested predominantly in bonds.

14.5b) Funding

The Group has established a practice with its pool members whereby pension deficits calculated under International Accounting Standards are charged to them and funded by them in the year following the year in which they arise. Such receipts are either paid into the appropriate scheme or held on the balance sheet. There are no plans to change this practice. The triennial valuation of the UK scheme reported a surplus on 1 January 2015, the next triennial valuation is due to be completed as at 1 January 2018.

Expected contributions to post-employment benefit schemes for the year ending 31 December 2016 are £577,000. At 31 December 2015, the expected contributions for the following year were £680,000.

The weighted average duration of the defined benefit obligation is 17.8 years (2015: 18.1 years).

15. PROVISIONS AND OTHER LIABILITIES

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
At 1 January	**404**	393	**404**	393
Additional provisions and increases to provisions	**12**	11	**12**	11
Unused amounts reversed	**(168)**	-	**(168)**	-
At 31 December	**248**	404	**248**	404

15. PROVISIONS AND OTHER LIABILITIES (continued)

The provision for the Group and Company is the present value of the expected dilapidations cost of Fitzwilliam House, which the Company leases for its head office. On expiry of the lease the Company will be required to restore the occupied space to its original condition at its own expense.

16. BORROWINGS

	2016	2015
	£'000	£'000
Group and Company		
NON-CURRENT		
Finance lease liabilities	**51**	67
Loan from shareholders	**50,420**	50,420
	50,471	50,487
CURRENT		
Finance lease liabilities	**15**	41

The loan from shareholders is repayable on 30 June 2022 (2015: 30 June 2017) or on 53 weeks' notice from the shareholders. Interest is charged on the loan at 2.00% (2015: 2.00%) above the NatWest base rate.

Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Gross finance lease liabilities – minimum lease payments:				
No later than 1 year	**22**	35	**22**	35
Later than 1 year and no later than 5 years	**59**	96	**59**	96
Later than 5 years	**-**	-	**-**	-
	81	131	**81**	131
Future finance charges on finance lease liabilities	**(15)**	(23)	**(15)**	(23)
Present value of finance lease liabilities	**66**	108	**66**	108

The present value of finance lease liabilities is as follows:

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
No later than 1 year	**15**	27	**15**	27
Later than 1 year and no later than 5 years	**51**	81	**51**	81
Later than 5 years	**-**	-	**-**	-
	66	108	**66**	108

17 EXPENSES BY NATURE

	2016 £'000	2015 £'000
Depreciation, amortisation and impairment charges	**1,717**	2,198
Employee benefit expense (see note 18)	**32,903**	27,166
Operating lease rentals	**2,645**	2,621
Other expenses	**10,519**	13,724
	47,784	45,709
Classified as:		
Administrative expenses	**47,784**	45,709

17.1 Auditors' remuneration

During the year the Group (including overseas subsidiaries) obtained the following services from the Group's auditor at costs as detailed below:

	2016 £'000	2015 £'000
Audit services		
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	**55**	53
Non-audit services		
Tax services	**36**	19
Other services not covered above	**28**	10
	119	82
Fees in respect of the Global Aerospace pension scheme		
Audit	**18**	9

18.1 EMPLOYEE BENEFIT EXPENSES

	2016 £'000	2015 £'000
Wages and salaries	**25,288**	23,104
Social security costs	**2,380**	2,122
Other pension costs – defined contribution plans	**2,479**	2,318
Other pension costs – defined benefit plans	**1,860**	(1,140)
Other post-employment benefits	**896**	762
	32,903	27,166

18.2 EMPLOYEE NUMBERS

	2016	2015
Average number of employees:		
UK	**94**	96
Canada	**30**	29
US (Global Aerospace Inc.)	**170**	176
US (Fireside Partners Inc.)	**39**	34
Switzerland	**4**	4
France	**6**	5
Germany	**3**	4
	346	348

19. FINANCE INCOME AND COSTS

	2016 £'000	2015 £'000
Finance income		
Gains on assets	**231**	-
Other interest	**683**	594
	914	594
Finance costs		
Loss on assets	**(7)**	(866)
Shareholder loan interest	**(1,212)**	(1,261)
Finance lease interest	**(8)**	(6)
Other interest	**(12)**	(11)
	(1,239)	(2,144)

The interest income and Shareholder loan interest are on financial instruments. The interest income is derived from cash and cash equivalents. Losses on assets are on other financial assets at fair value through profit or loss.

20. INCOME TAX EXPENSE

	2016 £'000	2015 £'000
Current tax:		
- on profit for the year	**2,086**	(244)
- adjustments in respect of prior years	**(7)**	(64)
Deferred tax (see note 7)	**(165)**	904
	1,914	596

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2016 £'000	2015 £'000
Profit before tax	**6,767**	657
Tax calculated at domestic tax rates applicable to profits in the respective countries	**1,842**	436
Expenses not deductible for tax purposes	**43**	38
Change in tax rates	**(31)**	46
Adjustments in respect of prior years	**48**	(32)
Excess foreign taxes	**12**	108
	1,914	596

The weighted average applicable tax rate was 29.44% (2015: 29.19%).

20. INCOME TAX EXPENSE (continued)

The tax charge/(credit) relating to components of other comprehensive income is as follows:

		2016	
	Before tax	Tax charge/ (credit)	After tax
	£'000	£'000	£'000
Re-measurement of defined benefit obligation	838	(98)	740
Currency translation difference	(13,569)	-	(13,569)
Other comprehensive expense/(income)	(12,731)	(98)	(12,829)
Current tax		-	
Deferred tax		(98)	
		(98)	

		2015	
	Before tax	Tax charge/ (credit)	After tax
	£'000	£'000	£'000
Re-measurement of defined benefit obligation	(2,635)	543	(2,092)
Currency translation difference	(3,607)	-	(3,607)
Other comprehensive expense/(income)	(6,242)	543	(5,699)
Current tax		-	
Deferred tax		543	
		543	

21. NET FOREIGN EXCHANGE GAINS/(LOSSES)

The exchange differences credited/(charged) to the statement of comprehensive income are included as follows:

	2016	2015
	£'000	£'000
Income	**13,468**	3,867
	13,468	3,867

22. DIVIDENDS PER SHARE

The interim dividends paid in 2016 and 2015 were £2,153,000 (8.61 pence per share) and £3,478,000 (13.91 pence per share) respectively. No final dividends were paid (2015: nil).

23a. CASH GENERATED FROM OPERATIONS – GROUP

	2016 £'000	2015 £'000
Profit before taxation	**6,768**	657
Adjustments for:		
Amortisation	**964**	1,304
Depreciation	**866**	950
Post-employment benefits	**(808)**	2,628
Profit on sale of fixed assets	**6**	(68)
Interest income	**(683)**	(594)
Interest expense	**1,232**	1,278
Unrealised (loss)/gain on investments	**(228)**	871
Changes in working capital		
Trade and other receivables	**(140)**	5,244
Trade and other payables	**(1,877)**	(3,906)
Provisions	**(156)**	11
Cash generated from operations	5,944	8,375

23b. CASH GENERATED FROM OPERATIONS – COMPANY

	2016 £'000	2015 £'000
Profit before taxation	**4,700**	658
Adjustments for:		
Amortisation	**167**	199
Depreciation	**388**	430
Profit/(loss) on sale of fixed assets	**6**	-
Post-employment benefits	**(1,152)**	2,590
Dividends receivable	**(706)**	(1,575)
Interest income	**(23)**	(28)
Interest expense	**1,232**	1,278
Changes in working capital		
Trade and other receivables	**(497)**	1,312
Trade and other payables	**(2,885)**	1,652
Provisions	**(156)**	11
Cash generated from operations	1,074	6,527

24. COMMITMENTS

There were no commitments as at 31 December 2016 (2015: nil).

24.1 Operating lease payables – Group company as lessee

The Group leases various offices under operating lease agreements. The leases have various terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Within one year	**2,355**	2,717	**584**	1,070
Within two to five years	**5,897**	6,375	**105**	827
After five years	**217**	1,202	**-**	173
	8,469	10,294	**689**	2,070

24.2 Operating lease receivables – Group company as lessor

The Group leases offices under operating lease agreements. The leases have various terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Within one year	**483**	466	**214**	224
Within two to five years	**1,089**	1,198	**-**	84
After five years	**-**	245	**-**	-
	1,572	1,909	**214**	308

25. COMPANY INFORMATION AND PRINCIPAL SUBSIDIARIES

The Company is incorporated and domiciled in England, and is a company limited by shares.

The Company owns the entire share capital of GAUM Holdings Inc. (formerly [until 12 Feb 2015] Global Aerospace Underwriting Managers (USA) Inc.) registered in Delaware, USA and the US company owns the entire share capital of Global Aerospace, Inc. registered in Delaware, USA, which is the management company for the Group in the US. It also owns Fireside Partners, Inc. registered in Delaware, USA which was acquired in April 2015.

The Company owns the entire share capital of Global Aerospace Underwriting Managers (Canada) Limited (incorporated in Canada), which is the management company for the Group in Canada. In 2012 Global Aerospace Underwriting Managers (Canada) Limited issued new shares with a nominal value of C$650,000, which were acquired by the Company for cash consideration.

The Company owns the entire share capital of British Aviation Insurance Group (Underwriting Services) Limited, British Aviation Insurance Group (Technical Services) Limited, BAIG Limited, Global Aerospace Underwriters Limited, Associated Aviation Underwriters Limited and Global Limited. All of these companies are registered in England and were dormant throughout the year.

All subsidiaries are included in the consolidated financial statements.

26. RELATED PARTY TRANSACTIONS

During the year Northern States Agency Inc. (NSA) held 60% of the Company's share capital and Munich Re 40%. The shareholders have equal voting rights, therefore there is no ultimate controlling party.

The pool member National Indemnity Company is under common ownership with Northern States Agency, Inc.

Management fees of 2% of gross written premium for the pool, profit commission, and management charges were charged to these parties as follows:

	Management fees		Profit commission		Management charges	
	2016	2015	**2016**	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
National Indemnity	**449**	407	**122**	(45)	**3,911**	3,546
Munich Re	**2,405**	2,181	**655**	(240)	**18,952**	16,598

At year end the following balances were due to and from these parties:

	Amounts owed to related party		Amounts owed by related party		Shareholder loan	
	2016	2015	**2016**	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
National Indemnity	**176**	459	**284**	113	**30,252**	30,252
Munich Re	**944**	2,308	**1,704**	575	**20,168**	20,168

Interest is charged on the Shareholder loan at 2% above the NatWest base rate. The interest payable for 2016 was £1,212,000 (2015: £1,261,000).

In 2016 the Group purchased internal audit services from Resolute, a fellow group company of NSA, amounting to £41,000 (2015: £ 26,000). In 2016 the Company also charged Berkshire Hathaway International Insurance Ltd, a fellow group company of NSA, £2,000 (2015: nil) in respect of branch management services provided.

In 2016 the Company paid Munich Re £104,000 for leased office space. In 2015 the Company paid Munich Re £34,000 for leased office space, £17,000 of which was in respect of 2016. The lease agreement between the Company and Munich Re is non-cancellable up to 31 December 2018; accordingly the Company has a £199,000 commitment to Munich Re which is included in Note 24 above. During 2016 the Company also paid Ellipse £87,000 (2015: nil) for staff life insurance cover, £23,000 of which was in respect of 2017. Ellipse is the UK trading name of ERGO Lebensversicherung Aktiengesellschaft which is a fellow group company of Munich Re.

At 31 December 2016 the parent Company had amounts due from subsidiaries of £2,465,000 (2015: £838,000) and due to subsidiaries of £1,214,000 (2015: £619,000).

Contributions paid into post-retirement benefit plans are given in Note 14.

Key management compensation

	2016	2015
	£'000	£'000
Salary and other benefits	**2,750**	2,695
Bonus based on pool trading profits	**389**	1,227
Total	**3,139**	3,922

26. RELATED PARTY TRANSACTIONS (continued)

Directors' Remuneration

	2016		2015	
	Highest Paid Director £'000	**Total Emoluments £'000**	Highest Paid Director £'000	Total Emoluments £'000
Salary and other benefits	**337**	**647**	343	647
Bonus based on pool trading profits	**144**	**216**	451	676
Total	**481**	**863**	794	1,323

In the bonus paid on pool trading profits are amounts relating to profits of prior pool years.

No Company contributions were made into pension schemes for directors in 2015 or 2016.

At 31 December 2016, under a scheme available to all UK staff, Mr Tasker had an interest free dental insurance loan outstanding of £771 (2015: nil). The maximum amount outstanding during 2016 was £925.