Dundee Pikco Limited
Annual Report 2019

This report presents the financial results of Dundee Pikco Limited for the year ended 31 December 2019

Contents

Strategic report

Principal activities

The Group trades under the “Doncasters” brand name. Doncasters is a leading international manufacturer of high precision alloy components made for the most demanding conditions. The Group has a global footprint with a firm focus on precision castings and superalloys with core areas of expertise including new product development, precision casting, superalloy production and the supply and manufacture of automotive stud welding equipment.

The Group has a broad, blue-chip focused customer base, with no single customer directly accountable for more than 11% of aggregate sales in 2019. Building and maintaining secure customer relationships based upon best in class delivery and quality attainment forms a major part of the Group’s strategy. Of the top 20 customers, which account for over 63% of sales, most have been customers for in excess of 25 years, with many business relationships secured under long term supply agreements.

Streamlining Doncasters’ operational presence

Since December 2017 the Group has been undertaking a phased divestment of non-core operations.

On 22 December 2017 the Group entered into a sale and purchase agreement to sell its Fasteners division, excluding the Nelson automotive stud and equipment business, to Stanley Black & Decker Inc. This deal completed on 2 April 2018 for consideration of US$426.0 million in cash with further consideration of £8.7 million received in three tranches from July to September 2019.

On 21 December 2018 and 10 January 2019 the Group completed the disposal of two of the US Fabrications sites for combined consideration of US$8.0 million together with a potential earnout over 2 years of US$1.5 million. Additionally, the remaining US Fabrications site was closed in December 2018 and all equipment was sold.

On 12 September 2019 Doncasters Limited sold the entire issued share capital of its subsidiary undertaking Settas SA to Precimetal Holding SA for consideration of €18.0 million.

On 30 September 2019 Doncasters Limited sold its business of the manufacturing of fabricated metal products and components for the aerospace, industrial gas turbine and military industries to Doncasters Aerospace Limited (a subsidiary undertaking) for consideration equal to the net book value of the business assets. On 15 November 2019 the company then sold the entire issued share capital of Doncasters Aerospace Limited to Radius Aerospace Europe Limited (a third party company) for consideration of £68.0 million.

On 5 October 2019 Doncasters Limited sold its business of the manufacturing of closed and open die forgings and rolled rings and casings for the aerospace, industrial gas turbine and military industries to Blaenavon Forgings Limited (a fellow group company) for consideration equal to the net book value of the business assets. On 15 November 2019 Dundee Holdco 4 Limited sold the entire issued share capital of Blaenavon Forgings Limited to Aero Forgings Bidco Limited (a third party company) for consideration of £53.0 million.

On 26 November 2019 Doncasters Limited sold the trade and assets of its precision forgings business to Independent Forgings and Alloys Limited for consideration of £4.0 million, this being in excess of the net book value of those assets.

On 19 December 2019 Doncasters Limited sold the entire issued share capital of its subsidiary undertaking Paralloy Limited (together with its wholly owned subsidiary Triplex Lloyds Properties Limited) to Sahara Newco Limited for consideration of £9.9 million.

The annual report has been prepared in accordance with IFRS 5 – Assets held for sale and discontinued operations. The consolidated income statement and the statement of financial position are presented for the continuing operations of the Group with the Chard, Storms Forge and Ivostud business units being excluded as these business units were being actively marketed for sale as at 31 December 2019. The results of the discontinued operations are presented within note 25 to the financial statements. As described in note 27, following a change of directors and a review of future strategy the ongoing sales processes were terminated during 2020 and these business units are no longer considered to be discontinued operations.

As at 31 December 2019, the Group operated from 14 principal sites in the UK, US, Germany, Mexico and China with headquarters in Burton-upon-Trent, UK. Five of the sites belong to the discontinued Chard, Storms Forge and Ivostud business units.

Debt structure at 31 December 2019

The strengthening of sterling against the dollar during the year from $1.2736: £1 at 31 December 2018 to $1.3247: £1 at 31 December 2019 has impacted levels of bank debt held on a reported basis. The change in exchange rates has decreased bank debt by £18.4 million in sterling equivalent (2018: increased by £37.4 million).

Bank loans at 31 December 2019 totalled £553.5 million (2018: £610.9 million) comprising 1st lien loans of £479.6 million (2018: £495.9 million), 2nd Lien Loans of £73.9 million (2018: £76.5 million) and multi-currency revolving loan facilities of £nil million (2018: £38.5 million). Other borrowings were £0.6 million (2018: £0.9 million).

	2019 **£ million**
Cash	**59.0**
Third Party Debt	**(554.1)**
Net Debt *	**(495.1)**

* Excluding £1,122.4 million owed to parent undertakings (note 19).

The debt was restructured during 2020 as described on the following page.

Strategic report (continued)

Financial restructuring

The Group was majority owned by Dubai International Capital LLC and its subsidiaries ("DIC") from May 2006 until 6 March 2020. On this date a financial restructuring of the Group was completed by way of a Scheme of Arrangement sanctioned by the English Courts (the "Scheme"). The details of the Scheme are:

- The transfer of ownership of the Company and the underlying operating group to a new lender-owned holding company;
- The reinstatement of 50% of the first lien debt in the operating group structure, with the other 50% exchanged into a Holdco PIK debt and equity structure;
- The conversion of 20% of the second lien debt into the Holdco PIK debt and equity structure, with the remaining 80% released;
- The injection of a £70 million working capital facility to provide ongoing liquidity for the operating group;
- The loan notes held variously by DIC and former management of Doncasters no longer benefit from any claims against entities which hold an interest in the business operations of the Group;
- Post the financial restructuring the operating group headed by Dundee Pikco Limited has approximately £260 million of debt and the amounts owed to parent undertakings of £1,122.4 million as at 31 December 2019 were waived.
- The net debt of the new group headed by the new ultimate parent company, Alloy Topco Limited (note 26) had approximately £525 million of debt as at 31 December 2020.

As part of the Scheme, the former immediate parent company of the Company, Dundee Holdco 2 Limited, was placed into the hands of Administrators and the former top company of the Doncasters group, Doncasters Group Limited, remained under the ownership of DIC. It is therefore appropriate for Dundee Pikco Limited (the 'Company') to prepare consolidated accounts for the first time for the operating group (comprising the Company and its subsidiaries or the 'Group') for 2019. The comparative information for the year to 31 December 2018 is based on the IFRS principles and fair values from the Doncasters Group Limited consolidated financial statements for the year ended 31 December 2018 with the exception of an additional inventory provision. The need for this provision arose after reviews of the carrying values of various categories of inventory at the Group's US superalloy subsidiary following the identification of materials that were valued in excess of their net realisable value.

Following the financial restructuring, a new Board of Directors was appointed, including a new Chief Executive Officer and Chief Financial Officer. Details of the changes in directors are given on page 8.

In November 2020, the new ultimate parent company, Alloy Topco Limited (note 26), launched a capital raise programme with its shareholders to increase investment across its activities. The capital raise was successful and significantly oversubscribed with proceeds received in December 2020, which the Directors intend to use principally to fund a major capital programme to retool the Group's businesses, including upgrading IT systems.

Pensions

The Group operates a number of defined benefit and defined contribution pension arrangements in the UK, the USA and Continental Europe. The UK defined benefit schemes are closed to new entrants and future accrual and on 4 November 2019 the Doncasters Pension and Life Cover Plan merged into the Triplex Lloyd Final Salary Plan on a sectionalised merger basis (see note 13). The Group's net pension liability, calculated in accordance with IAS 19 (revised), at 31 December 2019 (excluding other post-employment benefits) was £4.5 million (2018: asset of £0.2 million) with the decrease resulting principally from changes in the actuarial assumptions in respect of the Triplex plan (note 13 to the financial statements).

Other post-employment benefits are provided for certain US current and past employees and calculated in accordance with IAS 19 (revised). At 31 December 2019 the liabilities for these plans amounted to £1.5 million (2018: £1.4 million).

Further details are shown in note 13 to the Financial Statements.

Group restructure

In the year to 31 December 2018, as part of the disposal of the Fasteners business, the Group undertook a legal restructure of its US subgroup. This resulted in a taxable gain for the Group of approximately £116.1 million (which included taxable gains principally in the US and Germany) and the creation of certain tax assets which are detailed further in note 7 to the financial statements. In the year to 31 December 2019 the estimates supporting the taxable gain were refined, resulting in a reduction of £8.4 million to £107.7 million resulting in a reduced tax charge of £1.6 million.

Strategic report (continued)

Financial highlights and key performance indicators

	2019 £ million Continuing	2018 £ million Continuing
Revenue	**359.9**	349.6
Reported EBITDA before exceptional items	**19.5**	20.1
EBITDA margin	***5.4%***	*5.7%*
Depreciation, net of grants amortised	**(16.3)**	(14.1)
Amortisation of intangible assets	**(18.5)**	(21.0)
Loss on sale of property, plant and equipment	**-**	(0.2)
Operating loss before exceptional items	**(15.3)**	(15.2)
Exceptional items (see note 5)	**(45.0)**	(65.6)
Reported operating loss	**(60.3)**	(80.8)
Cash absorbed by operating activities	**(12.6)**	(16.0)
Cash & cash equivalents	**59.0**	33.0

Continuing operations comprises the nine sites that the Group was committed to maintaining as at 31 December 2019 namely the sites at Deritend, Bochum, Ross & Catherall, CAPI, Groton, Southern Tool and Trucast (UK, US and Mexico). Trucast Mexico was subsequently closed in 2020 having contributed £5.6 million to revenue and £0.3 million to EBITDA in 2019. As described in note 25, the assets and liabilities relating to the Chard, Storms Forge and Ivostud business units were presented as held for sale at 31 December 2019 but as noted in note 27, following a change of Directors and a review of future strategy the ongoing sales processes were terminated during 2020 and these business units will form part of the continued operations in the year to 31 December 2020. Together these three business units generated £45.6 million in revenue and a loss before interest, taxation, depreciation and amortisation of £4.2 million, increasing the total revenue from operations that are now considered to be continuing to £405.5 million and reducing reported EBITDA before exceptional items to £15.3 million.

Reported revenue from continuing operations was £359.9 million compared to £349.6 million in 2018, a 2.9% increase. The aerospace market continued to strengthen from 2018 to 2019. New programmes such as the LEAP 1B and GENX engines saw significant increases in demand as airframe rates for the 737 Max and 787 increased, although 737 Max rates subsequently declined following its grounding in March 2019. The automotive market was strong in the first quarter of 2019 but saw softening in demand in the commercial vehicle market for the remainder of the year. The industrial cash turbine market was stable year-on-year and saw bid wins and successful price increases.

Reported EBITDA from continuing operations decreased to £19.5 million (2018: £20.1 million) and EBITDA margin was 5.4%, down on 2018 driven by a combination of factors. Margins were impacted in the Aerospace division, where contract revisions with OEMs were completed resulting in increased costs. In the Automotive division there was increased material pricing due to alloy elements rising in the market. In IGT, outsourcing of certain activities had a negative margin impact.

Reported operating loss before exceptional items increased slightly to £15.3 million in 2019 from £15.2 million in 2018. Reported operating loss was £60.3 million compared to a loss of £80.8 million in 2018. The result in 2018 was impacted by a write down in receivables due from holding companies that are no longer part of the Group following the financial restructuring (page 3) and in 2019 by impairments of intangible assets and property, plant and equipment principally as a result of an in-depth valuation exercise linked to the financial restructuring (note 9).

Cash absorbed by operating activities was £12.6 million (2018: £16.0 million) and the Group had cash and cash equivalents of £59.0 million (2018: £33.0 million) including restricted cash of £33.3 million (2018: £2.8 million) as explained in note 16.

During the year ended 31 December 2019 discontinued operations generated revenue of £188.3 million (2018: £280.0 million) and operating profit before exceptional items of £10.1 million (2018: £14.2 million). Full results of the discontinued operations are included in note 25.

The Group has assessed the Covid-19 pandemic as a non-adjusting post balance sheet event (note 27) and the Directors are satisfied that no further impairments are required in the carrying values of assets and liabilities as at 31 December 2019 (see note 9).

Strategic report (continued)

Risk management

The Group uses a framework aimed at identifying, evaluating and managing significant risks. The framework is not designed to eliminate risk. There are specific programmes in place for health and safety, environmental and export compliance. There is also a comprehensive insurance programme.

The principal risks and uncertainties facing the Group are set out below:

Risk arising	Mitigation
Covid-19 pandemic resulting in difficult trading conditions from worldwide impacts on economies and uncertainty about the future shape of markets.	The Group continues to monitor the situation and take action, where possible, to control costs associated with closures of facilities and other associated costs. Regular reviews are undertaken of local restrictions on movement in each of the locations where the Group works to ensure compliance with governmental and other authority requirements. A Covid-19 team has been established, staffed by senior management, to manage the situation with regular communication to employees. Further information on the potential impacts of the Covid-19 risk are included in the Strategic Report on page 7 and in the going concern section of the Report of the directors.
Customer demand is affected by changes in end market demand such as electricity consumption, oil prices and aircraft & power station build programmes	The Group has a diversified portfolio of businesses, products and end markets which limits the risk to a change in the demand in a single end market. Additionally new business is targeted in the markets which offer the greatest potential for growth.
Customer demand is affected by competition or customer sourcing decisions	The Group seeks to mitigate such risk by spreading sales revenues across a number of customers and entering into long term agreements where this is the market norm. Competitive pressures can increase during periods of economic downturn, and as long term agreements become due for re-negotiation there is a risk that pricing and other contractual terms may be less attractive.
Products supplied may not comply with customer specifications and designs. This provides for the risk of returned products or customer claims	The Group generally supplies customers with products manufactured to customers' designs and specifications according to agreed manufacturing processes. Additionally the Group has rigorous internal quality checks which are designed to ensure products are appropriately tested and validated prior to supply to customers.
Costs of new product introduction exceed those planned or forecast in customer pricing proposals.	The Group has a robust bidding and costing process. New product introduction is tracked through each development stage and progress is monitored by the Group at all levels.
Supply of products may be affected by the ability of the Group to source appropriate components at the required time	Active monitoring of the financial viability of the Group's suppliers is undertaken. Contingency plans exist which include for key suppliers and materials the potential for secondary sourcing. Additionally production scheduling is routinely undertaken which provides key suppliers with a clear understanding of forthcoming demand.
Failure to retain key personnel	The Group maintains development and succession programmes, competitive remuneration packages and good communications at all levels.
Failure to comply with laws and regulations governing production plants, such as health and safety, and environmental requirements	Each business operates according to strict policies and procedures regarding compliance with health and safety and environmental legislation. These procedures are monitored by an environmental health and safety officer for each territory in which the Group operates. There is regular reporting to the board regarding the Group's compliance with such legislation.
Failure to comply with the requirements of the Group's borrowing agreements	The Group monitors compliance with its borrowing agreements on an ongoing basis.
Failure to comply with Group accounting policies and controls and procedures	The Group monitors compliance with internal controls and procedures on a regular basis. This includes documented policies and procedures and a regular programme of self-certifications. Following the completion of the financial restructuring (page 3) and the change in the board the focus on controls has been strengthened.
Products may not be supplied due to interruptions in manufacturing for reasons such as lack of machine or system availability	The Group has rigorous business interruption plans at a site level designed to reduce this risk, although the risk of such interruption cannot be eliminated.
Failure to manage cash flow and liquidity	The Group produces short term and longer term cash flow forecasts and monitors performance against these, taking action where there are deviations from plans including re-timing spend. The use of banking facilities and headroom is monitored and controlled by the central treasury function.

Strategic report (continued)

Section 172(1) statement Companies Act 2016

The Board of Directors changed both during and subsequent to the year ended 31 December 2019 (see page 8). Consequently, the Directors have made reasonable enquiries as to the necessary activities under Section 172 of the Companies Act 2006 and make the following statement on that basis.

Throughout 2019, the directors have complied with the requirements of Section 172 of the Companies Act 2006 in promoting the long-term success of the Group for the benefit of all stakeholders. The following disclosure describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the directors' statement required under section 414CZA of the Companies Act 2006.

Engagement with stakeholders

The directors consider employees, customers, suppliers, communities both near its manufacturing locations and further afield, and term loan creditors and investors to be the core stakeholder groups and the following activities have been undertaken during the year as part of ongoing activities of engaging with stakeholders:

Employees

The Group's vision is to promote a workplace fostered by compassionate, caring employees who demonstrate an active, willing, and personal desire to achieve a goal of zero injuries, illnesses, spills, and non-conformances with compliance requirements. The Covid-19 pandemic was in its very early stages towards the end of the year but the Group reacted early in 2020 by ensuring the necessary measures were put in place at all work locations to ensure employees were not exposed to risk.

People are recognised as the key to the Group's success and as a result the Group believes that employee development is of vital importance and has invested in inclusive and tailored training and development to create a talented and agile workforce, from apprenticeship programmes, bitesize training and leadership development simulations.

The Group recognises the need to ensure effective communication with employees and has a range of communication channels. The intranet provides blogs and news stories, there is an employee engagement forum and periodic employee engagement surveys are undertaken.

Customers

The Group aims to develop long-term relationships with customers by engaging in long-term agreements ("LTAs") wherever possible. The Group aims to treat its customers with respect, honesty and fairness, providing products and services giving good value and consistent quality, reliability and safety. The Group recognises the importance of providing a high standard of service to customers to maintain customer satisfaction and cooperation.

During the year, the Group's forward order book in respect of continuing operations decreased from £274.9 million to £198.0 million as a result of large orders at the end of 2018 in respect of customers restocking not being repeated and low margin contracts being exited. Nevertheless the Group has continued to secure a number of important LTAs with key customers, including in the period post year end.

Suppliers

Suppliers are vital to the Group's operations and the Group takes a long-term, collaborative approach to engagement. The Group looks to conduct all aspects of its business with suppliers in a way that is mutually beneficial as well as open.

Communities

The Group recognises that communities near its manufacturing locations can be impacted by its work and takes its responsibilities towards environmental, health and safety ("EHS") seriously. The Group strives to reduce its environmental footprint by optimising the use of raw materials and other natural resources to minimise emissions and wastes. Initiatives have been identified to reduce energy consumption, and to minimise manufacturing waste to landfill.

The materials and consumables used in the Group's facilities are regularly reviewed, with hazardous components replaced.

Investors and term loan creditors

It is recognised that the Group's success in the market place requires the trust and confidence of its investment and lender community. The directors regularly engage with the investors and creditors through presentations, meetings and other informal mechanisms. The directors look to do this in an open and honest way to strengthen the relationship between the Group and its investors and creditors. The Scheme (see page 3) was developed and implemented with the full cooperation of the Group's investors and term loan creditors following detailed discussions between all parties and their advisers. The Scheme was approved by the English Courts without any objections.

Key board decisions

The Board meets regularly to review the performance of the Group and decisions are taken to underpin its long-term success. During 2019, the Board particularly focused on the financial restructuring (see page 3). All matters reserved for decision by the directors under the Group's governance arrangements are presented at Board meetings. Directors are briefed on any potential impacts and risks for customers, investors and other stakeholders including suppliers, employees, the community and environment and how they are to be managed. The Directors take these factors into account before making a final decision which together they believe is in the best long-term interests of the Group and its stakeholders.

Strategic report (continued)

Outlook and Covid-19 pandemic

Following the streamlining of the Group during 2019, the completion of the financial restructuring in March 2020 and the appointment of a new board, the Group is in much better financial health with a stable balance sheet, a new investor structure and funding facilities to position the Group for growth. However around the same time the global scale of the Covid-19 pandemic was becoming apparent and the subsequent lockdowns across the globe caused a significant and unprecedented reduction in global commercial air traffic and halted production for automotive manufacturers in large parts of the world, including our key markets of Europe and the USA. This has a significant impact in terms of orders which impacted the Group's revenue in the second half of 2020.

The Group took immediate, successful actions to reduce costs and preserve cash, including reducing headcount and inventory levels and making use of various government schemes in its key geographies of the UK, the USA and Germany.

To date there remains considerable uncertainty over the ongoing impact of the pandemic on the markets which the Group serves. However, with recent announcements of the effective vaccines, the Group is seeing some early signs of recovery particularly in the automotive market, where lead times are shorter. In commercial aviation, the general consensus is that levels of passenger flights will remain below 2019 levels during 2020 and 2021 at least with the recovery beginning in the second half of 2021 as vaccine programs gather momentum. This will be reflected in aircraft new build demand and the recovery is expected to be gradual and take a number of years. The recent recertification of the Boeing 737 Max will be a major driver of new aircraft production, with Boeing ramping up during 2021 which will benefit the Group's aerospace business. The industrial gas turbine market has remained more stable, reflecting the nature of the demand for aftermarket repairs and maintenance outstripping original equipment manufacture for the Group's products. The speed at which these markets recover will continue to be impacted by Covid-19 infection rates, government responses, including lockdowns, and other factors such as the roll out of the effective vaccines.

The Group continues to respond by working closely with its customers, suppliers and other stakeholders. Opportunities are arising, highlighted by the three long term agreements signed with a superalloy customer and two turbine airfoils customers since July 2020. The Board continues to monitor the Group's liquidity on a weekly basis. Manufacturing sites are managing production and staffing levels carefully, taking advantage of local government support where it exists, whilst ensuring employee health and safety remains the top priority. The Group is positioning its businesses to grow when their respective markets recover, driving efficiencies across all areas, investing in new equipment and supporting customers as they ramp activities over the next 18 months.

In November 2020, the new ultimate parent company, Alloy Topco Limited (note 26), launched a capital raise programme with its shareholders to increase investment across its activities. The capital raise was successful and significantly oversubscribed with the proceeds received in December 2020. The Directors intend to use the proceeds principally to fund a major capital programme to retool the Group's businesses, including upgrading IT systems. The Directors have developed a new five year strategy which will see the Group experience a significant capital investment program of in excess of £100 million across all businesses, which will deliver significant revenue and profit growth over the time period.

The Directors have considered the potential financial impact of the Covid-19 pandemic on the Group's assets and liabilities. The global health crisis has impacted the Group's geographies and sectors in which the businesses operate, but action had been taken, through cost savings and other measures, to mitigate a significant amount of the downside impact. As a result the Group is forecasting improved performance in 2020 despite the impact of the Covid-19 pandemic. The Group has assessed Covid-19 as a non-adjusting post balance sheet event and are satisfied that no further impairments are required in the carrying values for December 2019 in relation to Covid-19. At this time there are no clear quantifiable impairments due to Covid-19 that have been confirmed that should be disclosed within these accounts and the Directors will continue to assess carrying values in future periods based on the latest estimates and in line with the requirements of the Group's accounting policies.

Further information on the impact of Covid-19 is included in the going concern review in the Report of the directors on page 11.

Mike Quinn

On behalf of the Board
M Quinn
Chief Executive Officer

28 January 2021

Report of the directors

The directors present their annual report, the audited consolidated financial statements of Dundee Pikco Limited and its subsidiaries (the "Group"), and the audited financial statements of the parent company, Dundee Pikco Limited (the "Company"), company registration number 06123931, for the year ended 31 December 2019.

The Board of Directors

The Group has an experienced Board which meets regularly and monitors results and sets key priorities for the Group's executive management. The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Directors

Duncan Hinks	(resigned 27 March 2019)
Simon David Martle	(appointed 1 September 2020)
Ian Molyneux	
Lisa Marie Oxnard	(resigned 13 March 2020)
Michael Joseph Quinn	(appointed 13 March 2020)
Neil Jonathan Robson	(appointed 18 November 2019, resigned 16 March 2020)
Jasbinder Sahota	(appointed 18 November 2019, resigned 6 March 2020)
Michael Anthony Thomas	(appointed 18 November 2019, resigned 6 March 2020)
Simon Anthony Ward	(appointed 18 November 2019)

Secretary to the Board

Ian Molyneux

Corporate governance arrangements

This section sets out the corporate governance arrangements that the Group had in place during the year and subsequently in line with The Companies (Miscellaneous Reporting) Regulations 2018. The Group followed the principles of the UK Corporate Governance Code during the year through Doncasters Group Limited, the former top company of the group.

Board leadership and company purpose
The senior executive management structure includes an Executive Leadership Team comprising the CEO, CFO, Managing Directors of the operating divisions, and the General Counsel and Group Company Secretary. The Team meets regularly and has responsibility for the development and execution of operational strategies.

The Executive Leadership Team receives regular and comprehensive financial reports, summarised versions of which are prepared for the Board. All operating subsidiaries are monitored against a wide range of performance metrics and trends, benchmarked to operating budgets and prior periods. These are aggregated at divisional level and are reviewed with executive management across a weekly, monthly and quarterly control cycle.

The Group's purpose is to develop its expertise to best serve OEMs in the aerospace, industrial gas turbine and specialist automotive markets and this is achieved by focusing on the core values of employee development and environmental, health and safety ("EHS"), where the Group strives for "best in class" performance in all aspects of the EHS programmes.

Division of responsibilities
Following the completion of the financial restructuring (page 3), oversight and governance of the Group is provided by the Directors of the Company and the Directors of the new ultimate parent company, Alloy Topco Limited (a company registered in Jersey) including the new Non-Executive Directors. There is a clear division of responsibilities between the leadership of the Board and the executive leadership of the Group's businesses.

The Managing Directors of the operating divisions have flexibility and autonomy to respond to the needs of customers with defined limits of delegated authority in place to ensure that oversight is maintained.

Composition, succession and evaluation
The board of the Company was changed in 2019 and 2020 to reflect outgoing and incoming personnel, the requirements of the Scheme of Arrangement and to reflect the new governance and ownership structure. Given the changes during 2019 and 2020 there has been no formal evaluation of the board and this will be progressed during 2021.

Audit, risk and internal control
The Group re-established an audit committee following the financial restructuring (page 3) and this committee monitors the integrity of the Group's financial statements, the effectiveness of the external auditors, risk and internal control processes, tax and treasury. The Board relies on the audit committee to review financial reporting and to appoint and oversee the work of the Group's external auditors. Whilst the internal audit function has been removed, there has, nevertheless, been renewed focus on controls since the financial restructuring and the change in the board of directors.

Report of the directors (continued)

Corporate governance arrangements (continued)

Remuneration
The Group's remuneration committee is responsible for overseeing the implementation of the Reward Philosophy which sets out the principles and approach to remuneration for directors and employees. The committee has direct oversight of director remuneration and approves policy for all other Group employees.

The Reward Philosophy details the Group's approach for all components of reward, including base pay, variable pay and benefits, and is applicable to directors and employees. The Group's aim is to target base salaries and benefits, for fully effective employees, at the median of the appropriate market and also to target variable pay at the median, depending on performance of the business. The Group ensures that it remains market competitive through regular benchmarking against the appropriate external market. The "market" is defined as those organisations from which the Group is most likely to hire employees from and lose employees to, accounting for the international and geographic location of the role. Market data is sourced from external specialists.

The committee reviews the base salaries and variable pay arrangements for the Executive Leadership Team on an annual basis.

Details of staff costs are shown in note 8.

Customers

The Group is committed to its customers and customer satisfaction through quality of product and delivery performance, which are key strategic priorities. The Group's mission is to become the supplier of choice by aligning with the long-term vision of the Group's customers and offering superior quality, technology and service. The Group continually invests in its processes and capability to support the growth of its customers and meet their needs.

Employees

The Group firmly believes in recognising the contribution to its success of well-motivated and dedicated employees and to involving them fully in the Group's fortunes. Employees are informed of the performance of their individual operating location and of the Group on an ongoing basis. This information includes matters relating to their location's performance, its prospects and future outlook of the business. Employees are encouraged to contribute ideas for improvement of the Group in all communication forums.

The Group is committed to ensuring that the right talent is in place, or will become available at the right time, to satisfy business needs and to ensure employees are given full encouragement to fulfil their potential. Employees are encouraged to gain appropriate skills, and opportunities are provided to achieve this.

The Group invests considerable resources in talent management and succession planning. All jobs within the Group have been assessed under a global grading structure, benchmarked to external organisations and roles. The Group has implemented a programme of performance development reviews, where performance, competencies and personal development programmes are discussed between the employee and their manager. The Group has implemented a programme of succession planning and is seeking to identify all individuals capable of future promotion, and to identify potential successor candidates for all managerial roles within the Group.

Fair and full consideration is given to applications for employment from disabled persons having regard to their particular aptitudes and abilities. Training, career development and promotion are, as far as practicable, identical for all employees.

The Group consistently seeks to recruit, develop and employ suitably qualified, capable and experienced people in an environment of equal opportunity ensuring no employee or applicant is treated less favourably on the grounds of race (including colour, nationality, ethnic or national origin), religion or belief, age, disability, gender reassignment, marriage or civil partnership, pregnancy or maternity, or sexual orientation.

The Group is committed to ensure that employees have the right to raise concerns on any matter they feel appropriate with senior management, without fear of prejudice or victimisation. To that end the Group operates a global helpline, which employees can call anonymously should they so wish. All calls are followed up by management and actions are taken where appropriate.

Health and safety and the environment

The Group is committed to safeguarding a core value of the Group, being the health and safety of its employees, contractors and others affected by its activities. Implementation of health and safety policies and procedures is a key management task and compliance with the highest standards is monitored both at operating company level and at Board level where it is regularly reviewed. Most facilities are OHSAS 45001 registered with robust health and safety management systems in place.

Environmental awareness and best practice continue to be high priority items. Concern for the environment and the community is supported by a rigorous statement of environmental policy and all operating locations are charged with its implementation. Group specialist staff are available for support and advice, as well as measuring and monitoring performance. Most facilities are OHSAS 14001 registered with robust environmental management systems in place to prevent accidental release of hazardous materials, reduce facility emissions and to conserve natural resources through waste minimisation and recycling efforts.

Report of the directors (continued)

Engagement with stakeholders

Details on engagement with stakeholders is included in the Strategic Report on page 6.

Directors' remuneration

The remuneration of the directors who served through the year was as follows:

	Year ended 31 December 2019 £ million (Audited)	Year ended 31 December 2018 £ million (Audited)
Aggregate emoluments	**1.3**	0.6
Highest paid director		
- Aggregate emoluments	**0.4**	0.3

There was compensation for loss of office of £nil (2018: £nil).

The remuneration shown above was paid by Doncasters Limited and Doncasters Inc, subsidiaries of Dundee Pikco Limited.

Company contributions paid in respect of money purchase plans were £53,000 (2018: £21,000), including £24,000 in respect of the highest paid director (2018: £nil). No Directors were members of the Group defined benefit pension arrangements in either year. As at 31 December 2019 five Directors were members of defined contribution pension arrangements (2018: three).

Service contracts

Executive directors have service agreements terminable by either party with a maximum six month notice period.

Directors' indemnity

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

Financial risk management

The Group has a number of long-term agreements to supply customers on fixed price contracts, or where price changes are limited. Accordingly, the Group is exposed to increases or decreases in the costs of manufacturing products. This risk is managed by ensuring estimated costs for new products are based on reliable historic data, and by negotiating price flexibility in relation to changes in input prices of metals where this is appropriate.

The Group operates in and sells products to a range of countries with different currencies resulting in an exposure to exchange rates. Transaction risk arises where revenues are made in currencies different from those of the costs of manufacture. Short-term (generally up to two years) transaction risk is managed using hedging techniques, but the Group remains exposed to the long-term risk of exchange rate fluctuations. In addition, from time to time, credit lines to enter into appropriate short-term hedging may not be available from suitable counterparties and this may result in short-term exposure to movement in exchange rates. Mitigation is achieved by sourcing goods and services in the same currencies as the exposure. Translation risk arises on the translation of income statements of overseas subsidiaries.

Credit risks exist in relation to customers, banks and insurers. The Group mitigates these risks by applying rigorous credit control practises, maintaining a wide banking group and monitoring relationships with lending banks and counterparties to the Group's treasury instruments. The Group also selects insurers with good credit ratings.

The funding of the Group's post-retirement benefits may be adversely affected by poor investment performance, changes in interest and inflation rates, improved mortality rates and changes in the regulatory environment. The income statement and level of cash contributions required may be affected accordingly. The Group monitors this risk by consulting closely with the trustees and advisors to the Group's schemes and mitigates the risks by modifying future service benefits and agreeing prudent deficit recovery plans where appropriate.

The Group's debt structure includes borrowings in different currencies. Translation risk arises on the translation of net assets, and transaction risk arises on the costs of interest service. Risks are mitigated through the use of hedging instruments such as forward foreign exchange contracts.

Liquidity and interest rate risk

Interest rates can vary and interest rate risks and other treasury and related risks are managed as described in notes 1 and 12 to the financial statements. The Group manages liquidity and interest rate risk by maintaining a mixture of long-term and short-term borrowings, including asset-backed lending facilities. The Group's borrowings attract interest at either LIBOR or EURIBOR plus a margin.

Report of the directors (continued)

Research and development

Research and development capability is split between operating company initiatives and Group-wide technology projects aimed at adding value to core business activities. The Group operated a Group Technical Centre which hosts researchers, technologists and technicians. The focus of the team is to achieve world leading yields and to develop new intellectual property.

Development expenditure amounting to £nil million was capitalised as an intangible asset during the year (2018: £1.3 million). Research and development expenditure charged to the income statement totalled £1.0 million (2018: £0.2 million).

Outlook

Details concerning the future outlook for the Group are included within the Strategic report on page 7.

Going concern

The Directors have continued to adopt the going concern basis in preparing the Dundee Pikco Limited consolidated accounts after assessing the principal risks faced by the Group and having considered the impact of a severe but plausible downside scenario.

Following the financial restructuring in March 2020 (page 3), the Group has committed debt facilities of approximately £211 million as at 31 December 2020, comprising gross Senior Facilities Agreement ("SFA") debt which expires in March 2024, and has no substantial repayments until that date, and which is subject to annual interest at LIBOR plus a margin. The Company's immediate parent company Alloy Parent Limited, a company registered in Jersey and established as part of the financial restructuring, also acts as guarantor to the SFA debt. The SFA debt agreement is subject to covenants with the first measurement being calculated in 2022 on a retrospective basis.

In November 2020, the ultimate parent company launched a capital raise program with its shareholders to increase investment across its activities. The capital raise was successful and significantly oversubscribed with the proceeds received in December 2020, which the Directors intend to use principally to fund a major investment capital program to retool the Group's businesses, including upgrading IT systems. However, these funds remain available for working capital needs should they be required for that purpose and are therefore included in our headroom when assessing the liquidity of the Group.

The Group also has an asset-backed lending ("ABL") facility of up to £70 million to provide ongoing liquidity. This facility expires in March 2023 and is subject to annual interest at LIBOR plus a margin. At the end of December 2020, following the additional capital raise the Group held approximately £17m of net cash on the ABL facility and held approximately £12 million of further cash, giving an adjusted total net debt position of approximately £182 million within the operating group. This resulted in approximately £75m of available cash and facilities headroom as at 31 December 2020.

As at 31 December 2019, the Group had net current liabilities of £1,525.4 million. This included £553.5 million of borrowings due in less than one year and £1,122.4 million in respect of amounts owed to parent undertakings. Following the financial restructuring on 6 March 2020 (page 3) the borrowings due in less than one year were replaced with new facilities and the amounts owed to parent undertakings were removed following the former immediate parent company, Dundee Holdco 2 Limited, being placed in the hands of Administrators and the former top company, Doncasters Group Limited, remaining under the ownership of DIC and not being part of the ongoing group. In addition, there was an injection of a £70 million working capital facility to provide ongoing liquidity for the operating group of which £39.9 million was drawn at 6 March 2020. Taking account of these changes, on a proforma basis the Group would have had the equivalent of net current assets of £110.6 million at 31 December 2019, with the £39.9 million drawn immediately on the working capital facility, which has a bullet repayment maturing in March 2023, being treated as current debt. The net debt of the new group, headed by Alloy Topco Limited, as at 31 December 2020 was approximately £525 million.

The directors have prepared forecasts and considered headroom against these facilities, and the expected liquidity of the group in a number of downside scenarios. Our performance against historical forecasts, the relative risks and challenges from an operational and markets perspective, and the depth and duration of the Covid-19 pandemic were the major considerations in assessing what a severe but plausible downside scenario would be.

The continued Covid-19 pandemic has the potential to impact many functions of the business from supply chain to the ability of our customers to service consumers but the impact in each case would most likely manifest in lost sales volumes. The situation continues to evolve rapidly across the globe, including in respect of recent announcements of vaccines, but the Directors have considered the potential impact of a number of scenarios on sales, profits and cash flows against the available headroom under existing facilities. In each scenario the Directors have assumed that operations continue, as they have through 2020, and the Group is able to sell products to customers. The Directors have also considered their ability to effect operational cost reductions and amend the timings of cash flows in respect of capital expenditure should the situation require.

To the date of signing the consolidated accounts for Dundee Pikco Limited, the Group has experienced average sales volume reductions of around 20% against 2020 budget expectations. Key markets have been impacted by the pandemic at different times during the year, demonstrating a portfolio effect. The aerospace market impact was felt later and is expected to have a much longer recovery period. The impact in automotive markets was felt more immediately but is experiencing recovery more quickly, particularly in the Turbochargers businesses where lead times are short. Industrial gas turbine markets have remained robust throughout. The Directors expect this portfolio effect to continue, and based on the experience in 2020, the Directors believe a catastrophic fall in sales across all three markets at the same time to be highly unlikely.

Report of the directors (continued)

Going concern (continued)

Base Case
The base case scenario is based on the budget for the year to 31 December 2021 with detailed cash flow forecasts being prepared out to June 2022, to demonstrate sufficient headroom against available facilities. Sales forecasts were estimated based on reliable third-party data and knowledge of and discussions with customers. We also considered the quality and quantum of our order book as at December 2020, and the trend experienced of our order book converting into sales across 2020, to form a view of confidence on the future outlook across our respective divisions. Aerospace sales are anticipated to recover gradually from the low point of Q4 2020 throughout 2021, with our exposure to the US domestic market and ongoing sales related to military aircraft offering some protection to wider market volatility. Automotive sales are anticipated to remain flat or experience modest growth, and we are encouraged by the confidence shown by some of our key customers and markets, and Industrial Gas Turbine sales are anticipated to show modest improvements, as we balance strong market demand with the need to replace certain volumes. Across the Group it has been assumed that there will be improvements in productivity and the management of scrap material, costs will be managed and market share will be increased where possible. Our focus and monitoring of our essential capital and continued programme of maintenance means we would not anticipate any significant downtime of equipment impacting our ability to deliver to customer needs.

Downside Case
The directors have considered a downside scenario which reflects the potential recurrence of previous trading challenges experienced by the group, potential volatility in our operations, volumes and margins, the impact of continued market pressures and operational challenges due to the ongoing disruption caused by the Covid-19 pandemic, and the potential for unforeseeable costs resulting from the Brexit trade deal.

The directors determined a severe but plausible downside scenario would be sales falling 25% below budgeted levels from January 2021, which would take total Group sales to levels below the Covid-19 impacted levels experienced in 2020. In applying this sensitivity the directors have considered key assumptions, including the impact of sales on margin and cash, the likely impact on working capital and our continued production levels, and the resulting impact on available facilities, specifically our ABL. This scenario would also indicate a possible covenant breach in 2022, before the impact mitigating actions and the full impact of potential working capital benefits that may arise when trading is in decline.

In the unlikely event these circumstances are experienced, it is assumed management could undertake a number of remedial actions including:

- Reducing discretionary compensation costs;
- Restricting general capital expenditure and rephasing investment capital expenditure;
- Reducing discretionary spend on areas such as training, marketing, recruitment and travel;
- Managing working capital, for example around inventory levels; and
- Making use of any available government or other grants.

Therefore in the unlikely event that this severe but plausible downside scenario did arise, the directors consider that the actions it could put into place, and the continued relationship and support it has with its investor base, mean that it could avoid a liquidity issue, including a potential covenant breach, ahead of it arising.

Any potential covenant breach falls outside the 12 month period contemplated by this going concern review and, if required, the Directors would seek to renegotiate covenant terms with lenders to avoid a covenant breach.

Conclusion
The Directors believe that the Group is well placed to manage its financing and other business risks satisfactorily and, as explained above and based on current knowledge, have a reasonable expectation that the Group will have adequate resources to continue in operation for at least 12 months from the signing date of these consolidated financial statements. The modelling for the base case and downside scenarios indicates the minimum headroom against committed facilities will exceed £20 million in all plausible scenarios. Therefore the Directors consider it is appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements.

Report of the directors (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

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

Directors' confirmations
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

I. Molyneux

By Order of the Board
I Molyneux
Group Company Secretary
28 January 2021

Independent auditors' report to the members of Dundee Pikco Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Dundee Pikco Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's loss and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report 2019 (the "Annual Report"), which comprise: the Consolidated statement of financial position at 31 December 2019, the Company Balance sheet at 31 December 2019; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of cash flows, and the Consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

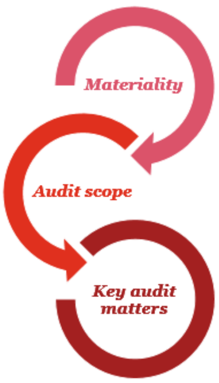
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit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

Independence

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

Our audit approach

Overview



- Overall group materiality: £1.6 million (2018: £1.6 million), based on 1% of revenue.
- Overall company materiality: £596,000 (2018: £568,000), based on 1% of net liabilities.

- There were 11 reporting units subject to full scope audits. Specified procedures were performed at 7 other reporting units.
- Desktop reviews were performed for all reporting units not subject to full scope audits or specified procedures.
- Based on sites subject to full scope audits there was 71% revenue coverage and 69% EBITDA coverage.
- Three different countries were visited as part of the full scope audits and specifie procedures work performed.
- Work is also performed on a number of central head office companies and the group consolidation to ensure sufficient work has been performed on the financial statement line items goodwill, intangible assets, amortisation expense, borrowings, finance costs, taxation and pensions.

- Inventory valuation of revert (Group)
- Inventory valuation (Group)
- Carrying value of non-current assets (Group)
- Classification / disclosure of discontinued operations (Group)
- Going concern and impairment consideration relating to COVID-19 (Group and Company)
- Recoverability of intercompany receivables (Company)

Independent auditors' report to the members of Dundee Pikco Limited (continued)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Inventory valuation of revert The Group holds significant levels of revert. Revert is a type of raw material which contains a mixture of metal alloys and is a by-product of the Group's manufacturing process. A number of key assumptions are applied when valuing revert, which include an assessment of its historic cost, determination of the expected realisation through use or sale, and consideration of obsolescence or net realisable value. Where revert levels are in excess of production needs a further key consideration is to assess the ability to use or sell the revert in the form it exists in when captured from production. Therefore, revert valuation is considered to be a significant estimate to the Group, as referred to on page 32. Group	We performed testing to validate the existence of revert held across the Group and agree the form in which it is held where this is relevant to the estimate of its recoverable value. We have performed detailed testing on the calculation of the period over which the alloys included in revert were originally purchased and the associated average invoice price across that period to corroborate management's estimate of the historic cost of revert. We have tested the utilisation of revert held at the year end by agreeing to production reports and vouching the associate sales to sales invoices. Where revert has not been utilised post year end we have obtained supporting evidence on the ability to realise value through resale in the market, including examples of the recoverable amount achieved when sold. Where the intention is not to sell we have vouched the ability to utilise revert in future production to current customer commitments. Where the conclusion of testing has indicated a change in valuation we have challenged management as to whether this relates to a prospective refinement of an estimate or a correction of a past error and ensured the comparative figures are presented accordingly. We are satisfied that the estimate of revert valuation has been determined within a reasonable range.

Independent auditors' report to the members of Dundee Pikco Limited (continued)

Key audit matters (continued)

Key audit matter	***How our audit addressed the key audit matter***
Inventory valuation	
There are a number of key estimates in determining the value of inventory within the Group. These include assessing the appropriate levels of inventory provisions and determining the level of overheads to be absorbed into inventory. As these require management to make a number of assumptions this has been considered a significant estimate as referenced on page 32. Group	Work has been performed to assess the assumptions and methodology behind inventory costing and provisioning: We have tested the ageing and quantity of inventory held across the Group obtaining support for recent sales and expected sales volumes to assess if inventory provisions are appropriate. The inputs into the calculation to determine what level of overheads to absorb into inventory were agreed to supporting information and we challenged the appropriateness of those included in the calculation by considering the relevant direct and indirect costs within the business and the profile of variances arising. All underlying reports were tested for accuracy to ensure the amounts of inventory recorded in the financial statements were appropriate. In line with the evidence obtained we consider inventory to be accounted for and disclosed appropriately.
Carrying value of non-current assets	
There are significant levels of goodwill and other intangible assets which are not being amortised and therefore require an annual impairment review. In addition, impairment reviews are required for property plant and equipment and intangible assets when there are indicators of impairment. The carrying value of assets subject to impairment reviews are assessed by considering the higher of net realisable value and value in use of the assets, with the latter being determined using appropriate discounted cash flow models. The inputs in determining these values and the level at which they should be assessed are highly judgmental and therefore are considered to be a significant estimate for the Group as detailed on page 32. Group	We reviewed management's calculation of the allocation of goodwill and other operating assets per cash generating unit ("CGU") used in their assessment of where impairment indicators may exist across the Group. We have considered the appropriateness of the level at which the impairment assessment is performed considering the lowest level to which earnings, asset performance and associated cash flows can be assessed. We have assessed the external valuation completed by management's expert for the Group and tested the key inputs into the report through comparing the earnings used to current performance and using independent valuations specialists to consider the reasonableness of earnings multiples based on relevant market data. We have assessed sensitivities performed by management considering both a decrease in EBITDA and potential earnings multiples. Based on the testing and information provided we consider the carrying value of non-current assets to be appropriate.
Classification/disclosure of discontinued operations	
The Group has been in the process of disposing of a number of its divisions with further divisions still looking to be disposed of at the end of 2019. Therefore, judgement is required as to whether this meets the criteria to be classified as a discontinued operation under IFRS 5 "Discontinued operations" at the balance sheet date, which has a significant impact on the financial statements. The critical judgement in respect of this area is disclosed on page 32. Group	We considered the position of each division as at 31 December 2019 against the requirements of IFRS 5 "Discontinued operations" to determine whether the division should be treated as discontinued in the financial statements. Our procedures included obtaining corroborative evidence as to the status of individual divestments and assessing the likelihood of the transactions completing within one year of the balance sheet date. We obtained evidence that the divestment programme was part of an overall strategic plan. We consider the accounting and disclosure of discontinued operations to be appropriate.

Independent auditors' report to the members of Dundee Pikco Limited (continued)

Key audit matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Going Concern and impairment consideration relating to COVID-19 The directors have considered the potential impact of the global pandemic on both the current and future operations of the business. In doing so, the directors concluded that COVID-19 was a non-adjusting event for the purposes of impairment reviews. When assessing going concern the directors have modelled the potential impact of COVID-19 on future cash flow forecasts including forming a judgment on what the most severe but plausible downside case could be, and concluded there to be no material uncertainties in respect of going concern. The directors' Going Concern disclosures are set out on page 11. Group and Company	*Going Concern and impairment consideration relating to COVID-19* We concurred with the directors' review that COVID-19 was a non-adjusting event as at 31 December 2019, and confirmed it was not factored into the approach used for year end impairment assessments. We have reviewed and confirmed the appropriateness of the post balance sheet event disclosure made in this regard. We have obtained the directors' cash flow model and reviewed this for the period from January 2020 to 30 June 2022, which included specific consideration of COVID-19. We obtained the Board approved paper detailing the directors' key considerations, assumptions and conclusions with respect to the going concern basis of preparation. We discussed the key drivers behind the divisional forecasts with management, including with personnel outside of the finance team. We tested the mechanical robustness of the cash flow model, and compared assumptions within the model in respect of the conversion of sales to cash, to past history, the mix of fixed and variable costs in the business, and typical working capital cycles to assess their reasonableness. We obtained and assessed the accuracy of management's short term forecasting over quarter 3 and 4 of 2020 to support the accuracy of forecasts prepared since COVID-19 has arisen. We reviewed how the monthly order book across 2020 had converted into sales and used this to form an assessment on the likely conversion of the order book at the end of 2020. We obtained industry specific evidence regarding the Group's markets and customers to assess the reasonableness of the growth assumptions used and views about the likely timing and extent of post COVID-19 recovery and the potential impact on the operations and supply chain of the Group. We considered the appropriateness of management's severe but plausible scenario in light of these procedures and also ran a scenario that would cause a liquidity issue in order to establish this to be implausible. Based on our procedures and the evidence reviewed we consider the adoption of the Going Concern basis of preparation of the annual report to be appropriate.
Recoverability of intercompany receivables The company has significant intercompany receivables. The recoverability of intercompany balances is assessed through comparing the net assets of the counterparty and their ability to repay balances. Company	We compared the level of receivable in the balance sheet to the net assets of the entities who are counterparties to the intercompany receivable. As there was a clear inability to repay amounts due, the remaining receivables in the company have been impaired.

Independent auditors' report to the members of Dundee Pikco Limited (continued)

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The group is comprised of a number of different reporting units operating in a variety of countries across the world, with the more significant operations being in the USA and UK. There are local finance teams in place at each reporting unit with the central accounting function in the UK performing the consolidation of the reporting units and the preparation of the group financial statements.

There were 11 full scope audits performed to ensure appropriate coverage of the group results was obtained. This included the most financially significant components within the group, as well as other reporting units to ensure the overall coverage obtained was sufficient. For reporting units which are not financially significant the audit scoping is performed on a rotational basis to ensure that reporting units are subject to full scope audit every few years to ensure that reporting units are expecting an audit every few years meaning they keep high standards of financial reporting in place.

Specified procedures were performed on certain financial statement line items in reporting units not subject to full scope audit based on our assessment of the significance of the balance and the related audit risk.

The group engagement team attended the clearance meetings for any reporting units that were subject to a full scope audit that was performed by a team other than the group team and also reviewed the workpapers on key group items at these sites.

The company has one significant liability (loan notes) listed on the Channel Islands Stock Exchange and a number of intercompany balances. Interest is accrued on the loan notes at the effective interest rate and shall be paid annually. Intercompany balances relate to the amounts transferred to other group companies, these balances are repayable on demand with some of these amounts bearing interest.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	***Company financial statements***
Overall materiality	£1.6 million (2018: £1.6 million).	£596,000 (2018: £568,000).
How we determined it	1% of revenue.	1% of net liabilities.
Rationale for benchmark applied	We determined our materiality based on 1% of revenue capped at the prior year level of materiality. Revenue was considered an appropriate benchmark due to the relatively low and fluctuating margins of the Group and level of divestment activity.	We determined our materiality based on net liabilities, which is more applicable than a performance-related measure as the company is an investment holding and financing company for the group.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £300,000 and £800,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £79,000 (Group audit) (2018: £75,000) and £79,000 (Company audit) (2018: £75,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Independent auditors' report to the members of Dundee Pikco Limited (continued)

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Report of the directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the directors for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Independent auditors' report to the members of Dundee Pikco Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

David Teager (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
28 January 2021

Consolidated income statement
for the year ended 31 December 2019

		Year ended 31 December 2019			Year ended 31 December 2018		
		Before exceptional items	**Exceptional items (note 5)**	**Total**	Before exceptional items	Exceptional items (note 5)	Total
Continuing operations	Note	**£ million**	**£ million**	**£ million**	£ million	£ million	£ million
Revenue	2	**359.9**	**-**	**359.9**	349.6	-	349.6
EBITDA		**19.5**	**(9.4)**	**10.1**	20.1	(65.6)	(45.5)
Depreciation and impairments of property, plant and equipment net of grants amortised	4	**(16.3)**	**(14.9)**	**(31.2)**	(14.1)	-	(14.1)
Amortisation and impairments of intangible assets	4	**(18.5)**	**(20.7)**	**(39.2)**	(21.0)	-	(21.0)
Loss on sale of property, plant and equipment	4	**-**	**-**	**-**	(0.2)	-	(0.2)
Operating loss	4	**(15.3)**	**(45.0)**	**(60.3)**	(15.2)	(65.6)	(80.8)
Finance income		**5.0**	**-**	**5.0**	1.2	-	1.2
Finance costs		**(138.9)**	**(14.9)**	**(153.8)**	(136.8)	-	(136.8)
Net finance costs	6, 5	**(133.9)**	**(14.9)**	**(148.8)**	(135.6)	-	(135.6)
Loss before taxation		**(149.2)**	**(59.9)**	**(209.1)**	(150.8)	(65.6)	(216.4)
Taxation	7	**(16.5)**	**1.0**	**(15.5)**	1.8	1.0	2.8
Loss for the year from continuing operations		**(165.7)**	**(58.9)**	**(224.6)**	(149.0)	(64.6)	(213.6)
Discontinued operations							
(Loss)/profit for the year from discontinued operations	25	**(0.4)**	**(19.3)**	**(19.7)**	7.8	140.6	148.4
(Loss)/profit for the year		**(166.1)**	**(78.2)**	**(244.3)**	(141.2)	76.0	(65.2)

Consolidated statement of comprehensive income

attributable to owners of the Company
for the year ended 31 December 2019

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Loss for the year	**(244.3)**	(65.2)
Other comprehensive (expense)/income:		
Items that will not be reclassified to the income statement		
Actuarial loss on pension schemes	**(6.8)**	(43.6)
Related tax movements	**1.6**	7.2
Currency retranslation on sale of division	**(14.4)**	(31.4)
Deferred loss on derivative financial instruments	**-**	(2.7)
	(19.6)	(70.5)
Items that may be subsequently reclassified to the income statement		
Currency retranslation gain/(loss)	**5.2**	(22.2)
	5.2	(22.2)
Total comprehensive expense for the year, net of tax	**(258.7)**	(157.9)
Total comprehensive (expense)/income attributable to owners of the company arises from:		
Continuing operations	**(223.7)**	(268.8)
Discontinued operations	**(35.0)**	110.9

Consolidated statement of financial position

at 31 December 2019

Registered number: 06123931

	Note	**2019 £ million**	2018 £million	2017 £million
Non-current assets				
Intangible assets	9	**107.0**	174.7	265.7
Property, plant and equipment	10	**97.8**	157.2	197.8
Right-of-use assets	10	**6.2**	-	-
Available-for-sale financial assets		**-**	-	0.6
Financial assets at fair value through other comprehensive income	12	**0.6**	0.6	-
Trade and other receivables	11	**0.1**	0.9	0.1
Derivative financial instruments	12	**3.1**	2.3	3.4
Pension asset for scheme surpluses	13	**20.2**	23.7	71.0
Deferred tax assets	14	**9.0**	37.5	23.2
Total non-current assets		**244.0**	396.9	561.8
Current assets				
Inventories	15	**69.4**	94.6	108.7
Trade and other receivables	11	**96.2**	94.5	166.7
Taxation recoverable		**1.9**	0.1	0.2
Derivative financial instruments	12	**1.8**	0.6	0.9
Cash and cash equivalents	16	**59.0**	33.0	19.8
Total current assets		**228.3**	222.8	296.3
Assets of disposal groups held for sale	25	**19.6**	128.7	193.5
Current liabilities				
Borrowings due within one year	17	**(553.5)**	(7.5)	(14.2)
Derivative financial instruments	12	**(0.4)**	(0.9)	(0.3)
Provisions	18	**(2.5)**	(1.7)	(5.0)
Trade and other payables	19	**(1,193.6)**	(1,106.2)	(1,032.5)
Lease liabilities	20	**(1.4)**	(0.1)	-
Current tax liabilities		**(9.3)**	(22.7)	(0.3)
Total current liabilities		**(1,760.7)**	(1,139.1)	(1,052.3)
Liabilities of disposal groups held for sale	25	**(12.6)**	(20.8)	(52.4)
Net current liabilities		**(1,525.4)**	(808.4)	(614.9)
Total assets less current liabilities		**(1,281.4)**	(411.5)	(53.1)
Non-current liabilities				
Borrowings due after more than one year	17	**(0.6)**	(604.3)	(787.0)
Derivative financial instruments	12	**(1.4)**	-	(0.1)
Trade and other payables	19	**(1.1)**	(1.8)	(1.9)
Lease liabilities	20	**(4.5)**	(0.1)	-
Deferred tax liabilities	14	**(17.9)**	(31.8)	(49.4)
Pension liability for scheme obligations	13	**(26.2)**	(24.9)	(25.2)
Total non-current liabilities		**(51.7)**	(662.9)	(863.6)
Net liabilities		**(1,333.1)**	(1,074.4)	(916.7)
Shareholders' equity				
Called up share capital	21	**-**	-	-
Other reserves		**(68.5)**	(59.3)	(3.2)
Retained earnings		**(1,264.6)**	(1,015.1)	(913.5)
Total shareholders' deficit		**(1,333.1)**	(1,074.4)	(916.7)

The financial statements on pages 21 to 66 were approved by the Board of directors on 28 January 2021 and signed on its behalf by:

Mike Quinn

M Quinn, Chief Executive Officer

S Martle, Chief Financial Officer

Consolidated statement of cash flows

for the year ended 31 December 2019

	Notes	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Cash flow from operating activities			
Cash absorbed by operations	22	**(0.6)**	(13.3)
Net income tax paid		**(12.0)**	(2.7)
Net cash absorbed by operating activities		**(12.6)**	(16.0)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(20.5)**	(20.5)
Purchase of intangibles		**(0.8)**	(2.6)
Disposal of property, plant and equipment		**3.1**	7.7
Grants received		**-**	0.2
Net receipts from sales of group companies	25	**137.9**	310.4
Net cash generated by investing activities		**119.7**	295.2
Cash flows from financing activities			
Interest paid		**(35.7)**	(40.2)
Proceeds from borrowings		**-**	0.6
Repayment of borrowings		**(42.5)**	(227.8)
Payment of obligations under leases		**(2.2)**	-
Net cash used in financing activities		**(80.4)**	(267.4)
Net increase in cash and cash equivalents		**26.7**	11.8
Cash and cash equivalents at the beginning of the year		**33.0**	19.8
Effect of foreign currency exchange rate changes		**(0.7)**	1.4
Cash and cash equivalents at the end of the year	16	**59.0**	33.0

Consolidated statement of changes in equity
attributable to owners of the Company

For the year ended 31 December 2019

	Share capital £ million	Other reserves £ million	Retained earnings £ million	Total £ million
At 1 January 2019	**-**	**(59.3)**	**(1,015.1)**	**(1,074.4)**
Loss for the year	**-**	**-**	**(244.3)**	**(244.3)**
Other comprehensive (expense)/ income:				
Actuarial loss on pension schemes	**-**	**-**	**(6.8)**	**(6.8)**
Currency retranslation gain	**-**	**5.2**	**-**	**5.2**
Currency translation of sale of division	**-**	**(14.4)**	**-**	**(14.4)**
Retained tax movements	**-**	**-**	**1.6**	**1.6**
Total comprehensive expense	**-**	**(9.2)**	**(249.5)**	**(258.7)**
Value of employee services	**-**	**-**	**-**	**-**
Total contributions by owners of the company, recognised directly in equity	**-**	**-**	**-**	**-**
At 31 December 2019	**-**	**(68.5)**	**(1,264.6)**	**(1,333.1)**

For the year ended 31 December 2018

	Share capital £ million	Other reserves £ million	Retained earnings £ million	Total £ million
At 1 January 2018	-	(3.2)	(913.5)	(916.7)
Loss for the year	-	-	(65.2)	(65.2)
Other comprehensive (expense)/income:				
Actuarial loss on pension schemes	-	-	(43.6)	(43.6)
Currency retranslation loss	-	(22.2)	-	(22.2)
Currency translation on sale of division	-	(31.4)	-	(31.4)
Retained tax movements	-	-	7.2	7.2
Derivative financial instruments	-	(2.7)	-	(2.7)
Total comprehensive expense	-	(56.3)	(101.6)	(157.9)
Value of employee services	-	0.2	-	0.2
Total contributions by owners of the company, recognised directly in equity	-	0.2	-	0.2
At 31 December 2018	-	(59.3)	(1,015.1)	(1,074.4)

Other reserves are primarily comprised of currency retranslation of group companies amounting to a debit of £70.0 million (2018: £60.8 million debit) and share based payments credits of £1.5 million (2018: £1.5 million credit).

In the year to 31 December 2019, currency translation gains of £2.2 million on the sale of Settas SA and £12.2 million on the sale of a US Fabrications site were crystallised and included as part of the loss on disposal (note 25). In the year to 31 December 2018, a gain of £31.4 million was crystallised on the sale of the Fasteners division and included as part of the gain on disposal (note 25).

Notes to the consolidated financial statements

1 Principal accounting policies

The Company

Dundee Pikco Limited (the “Company”) is a company domiciled and incorporated in the United Kingdom. The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the “Group”).

Basis of preparation

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Consolidated financial statements for the Dundee Pikco Limited group are presented for the first time for the year to 31 December 2019 as explained in the Strategic Report (see page 3). The comparative information for the years to 31 December 2017 and 31 December 2018 has been prepared on the same basis, and the year to 31 December 2017 has been presented as a result of this being the first set of consolidated accounts. IFRS principles and fair values from the Doncasters Group Limited consolidated financial statements for the year to 31 December 2018 have been applied as though Dundee Pikco Limited group has always prepared consolidated financial statements.

IAS 1 (revised), ‘Presentation of financial statements’ prohibits the presentation of items of income and expenses (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income.

The financial statements are prepared under the historical cost convention as modified by the revaluation of financial assets classified as available-for-sale and financial assets and financial liabilities (including derivative instruments) at fair value through the profit or loss and on a going concern basis. The financial statements presented in this annual report have been prepared in accordance with IFRS 5 ‘Assets held for sale and discontinued operations’. The consolidated income statement and the statement of financial position are presented for the continuing operations of the Group. The results of the discontinued operations are presented within note 25 to the financial statements. The principal accounting policies are set out below and have been applied consistently year on year other than the adoption of IFRS 16 ‘Leases’.

Going concern

The Directors have continued to adopt the going concern basis in preparing the Dundee Pikco Limited consolidated accounts after assessing the principal risks faced by the Group and having considered the impact of a severe but plausible downside scenario.

Following the financial restructuring in March 2020 (page 3), the Group has committed debt facilities of approximately £211 million as at 31 December 2020, comprising gross Senior Facilities Agreement (“SFA”) debt which expires in March 2024, and has no substantial repayments until that date, and which is subject to annual interest at LIBOR plus a margin. The Group also has an asset-backed lending (“ABL”) facility of up to £70 million to provide ongoing liquidity. This facility expires in March 2023 and is subject to annual interest at LIBOR plus a margin. At the end of December 2020, following an additional capital raise the Group held approximately £17m of net cash on the ABL facility and held approximately £12 million of further cash, giving an adjusted total net debt position of approximately £182 million within the operating group. This resulted in approximately £75m of available cash and facilities headroom as at 31 December 2020.

The directors have prepared forecasts and considered headroom against these facilities. The directors have considered a downside scenario which reflects the potential recurrence of previous trading challenges experienced by the group, potential volatility in our operations, volumes and margins, the impact of continued market pressures and operational challenges due to the ongoing disruption caused by the Covid-19 pandemic, and the potential for unforeseeable costs resulting from the Brexit trade deal. The Directors determined a severe but plausible downside scenario would be sales falling 25% below budgeted levels from January 2021, which would take total Group sales to levels below the Covid-19 impacted levels experienced in 2020. In applying this sensitivity the directors have considered key assumptions, including the impact of sales on margin and cash, the likely impact on working capital and our continued production levels, and the resulting impact on available facilities, specifically our ABL. This scenario would also indicate a possible covenant breach in 2022, before the impact mitigating actions and the full impact of potential working capital benefits that may arise when trading is in decline. Any potential covenant breach falls outside the 12 month period contemplated by this going concern review and, if required, the Directors would seek to renegotiate covenant terms with lenders to avoid a covenant breach.

The Directors believe that the Group is well placed to manage its financing and other business risks satisfactorily and, as explained above and based on current knowledge, have a reasonable expectation that the Group will have adequate resources to continue in operation for at least 12 months from the signing date of these consolidated financial statements. The modelling for the base case and downside scenarios indicates the minimum headroom against committed facilities will exceed £20 million in all plausible scenarios. Therefore the Directors consider it is appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements. Further details are included on page 11.

1 Principal accounting policies (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary undertakings made up to 31 December. A subsidiary is an entity, whether wholly or partially owned, which is controlled by the Company. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of the entity so as to derive benefits from its activities. The results of any subsidiaries acquired or sold during the period are included in the consolidated income statement from the date of acquisition or to the date of disposal. In the case of any acquisitions, the acquisition method of accounting is used.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

A summary of the Group's subsidiary undertakings is shown on page 73.

Prior year comparatives

As described above, consolidated financial statements for the Dundee Pikco Limited group are presented for the first time for the year to 31 December 2019. The comparative information for the years to 31 December 2017 and 31 December 2018 is based on the IFRS principles and fair values from the Doncasters Group Limited consolidated financial statements for the year ended 31 December 2018 with the exception of an additional inventory provision.

The need for this provision arose after reviews of the carrying values of various categories of inventory at the Group's US superalloy subsidiary following the identification of materials that were valued in excess of their net realisable value.

The superalloy business carries two types of inventory – virgin raw material, comprising elemental metals purchased from suppliers and 'revert' raw materials resulting as a by-product of the production processes. Management observed in mid-2019 that the volume and value of revert raw materials had significantly increased in recent years. Consequently an exercise was carried out to review the development of the content of the revert inventory and how the volume and value of revert had developed over several years. Management reviewed the levels of revert in the context of production needs and utilisation in the business, as well as considering net realisable risks, both in resale and future use. The conclusions of that exercise resulted in a write down of the carrying value of inventory of £5.7 million and a corresponding increase in cost of sales compared with the amounts previously included in the Doncasters Group Limited financial statements for the year ended 31 December 2018.

The Directors have concluded that it is appropriate to treat this element as a correction that should therefore be reflected in the prior year.

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Revenue

Revenue from the sale of goods is recognised in the income statement net of expected discounts, rebates, refunds, credits, price concessions, penalties or other similar items, when the associated performance obligation has been satisfied, and control of the goods has been transferred to the customer. A significant part of the Group's businesses sells goods on an ex-works basis, where the Group as seller makes its goods ready for collection at its premises on an agreed upon sales date and the buyer incurs all transportation and handling costs and bears the risks for bringing the goods to their chosen destination. Where the Group operates non ex-works terms with customers, revenue is recognised when the control of the goods has been transferred to the customer. These terms include consignment stock agreements, where revenue is recognised upon the customer receiving goods from consignment stock.

Under IFRS 15 'Revenue from Contracts with Customers', each customer agreement/contract is assessed to identify the performance obligations being provided to the customer. Revenue is only recognised when there is a high degree of certainty that performance obligations will be delivered and the outcome of the contract can be reliably estimated.

Invoices are issued to and due for payment by customers according to the terms of the contractual arrangement that exists. Contractual terms vary by customer and invoices are generally settled between the date of issue, and prior to delivery, and up to 90 days after the invoice date depending on the terms negotiated on advance.

1 Principal accounting policies (continued)

Exceptional items

Items which are significant by virtue of their size or nature and which are considered non-recurring are classified as exceptional items. Such items, which include for instance restructuring of businesses, significant customer claims and settlements, the costs of integrating significant acquisitions, profits or losses made on the disposal of businesses and other items not in the course of day-to-day business, are included within the appropriate consolidated income statement category but are highlighted separately in the notes to the financial statements. Exceptional items are excluded from the underlying profit measures used by the Board to monitor and measure the underlying performance of the Group (see notes 5 and 25).

Foreign currencies

(a) Presentational currency

The Group's consolidated financial statements are presented in pounds sterling.

(b) Transactions and balances

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at the statement of financial position date. Exchange differences on retranslating monetary assets and liabilities are recognised in the income statement.

(c) Foreign subsidiaries

The results of foreign subsidiaries are translated at the average rates of exchange for the year. Assets and liabilities of foreign subsidiaries are translated at the exchange rates prevailing at the statement of financial position date. Exchange differences arising from the translation of the results of foreign subsidiaries and their opening net assets are recognised as a separate component of equity within other reserves. Exchange differences on borrowings and other currency instruments used to manage the statement of financial position translation exposure of foreign subsidiaries are recognised in the income statement.

When a foreign subsidiary is sold the cumulative exchange differences relating to the retranslation of the net investment in that foreign subsidiary are recognised in the income statement as part of the gain or loss on disposal.

Intangible assets

Goodwill
Goodwill (being the difference between the fair value of consideration paid for new interests in group companies and the fair value of the Group's share of their net identifiable assets and contingent liabilities at the date of acquisition) is capitalised. Goodwill is not amortised, but is subject to an annual review for impairment (or more frequently if necessary). Any impairment is charged to the income statement as it arises. Negative goodwill arising on acquisitions is recognised immediately in the income statement.

Other intangible assets
On acquisition of group companies, the Group recognises any specifically identifiable intangible assets separately from goodwill, initially measuring the intangible assets at fair value. Separately purchased intangible assets are initially measured at cost. Finite-lived intangible assets including software are amortised in the income statement over the period of their expected useful lives.

IFRSs also require that internally generated intangible assets be capitalised where certain specific criteria are met. The Group capitalises internally generated software where it is clear that the software development is technically feasible and will be completed and that the software will generate economic benefits in the future.

Amortisation is based on a straight line basis to write off the cost of the assets concerned over their estimated useful lives, which are principally as follows:

Customer contracts and related customer relationships	10 - 20	years
Non contractual customer relationships	10 - 20	years
Order book	1 - 3	years
Trade names	10 - 25	years
Technology	3 - 10	years
Software costs	3 - 5	years

Research and development
Expenditure on research and development is charged to the income statement as incurred with the exception of development expenditure on new products where the outcome of those projects is assessed as being reasonably certain as regards viability and technical feasibility. Such expenditure is treated as an intangible asset and amortised over the life of the contract commencing in the year sales of the product are first made and is limited to the shorter of the contract life and five years. Intangible assets not yet subject to amortisation are reviewed for impairment annually.

1 Principal accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and impairment. Depreciation is based on a straight line basis to write off the cost of the assets concerned over their estimated useful lives, which are principally as follows:

Buildings	20 - 25	years
Plant and machinery	3 - 25	years

Freehold land is not depreciated.

Property, plant and equipment is subject to review for impairment if triggering events or circumstances indicate that this is necessary. Any impairment is charged to the income statement as it arises.

Inventories

Inventories are stated at the lower of cost, including appropriate overheads, and net realisable value on a first-in, first-out basis. Cost comprises direct materials and, where applicable, direct labour costs and those overheads, including depreciation of property, plant and equipment, that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling prices less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cash and cash equivalents

For the purpose of preparation of the statement of cash flows, cash and cash equivalents includes cash at bank and in hand, highly liquid interest bearing securities with original maturities of three months or less, and bank overdrafts.

Financial instruments

The Group accounts for financial instruments under IAS 32 'Financial Instruments: Disclosure and Presentation', IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures'.

(a) Financial assets

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded either in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Purchases and sales of financial assets are recognised on trade date (that is, the date on which the Group commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

- Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as a separate line item in the consolidated income statement.

1 Principal accounting policies (continued)

Financial instruments (continued)

- Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Subsequent measurement of all equity investments is at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

(b) Financial liabilities

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost unless they are part of a fair value hedge accounting relationship; any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Those borrowings that are part of a fair value hedge accounting relationship are also recorded on an amortised cost basis, plus or minus the fair value attributable to the risk being hedged with a corresponding entry in the income statement.

(c) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate and foreign currency transactional and translational risk. Derivative financial instruments are recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at fair value at each statement of financial position date. To the extent that the maturity of the financial instrument is more than 12 months from the statement of financial position date the fair value is reported as a non-current asset or liability. Derivative financial instruments with maturities of less than 12 months from the statement of financial position are shown as current assets or liabilities.

Certain financial instruments held by the group will not reach maturity until more than three years after the balance sheet date. Management assesses the reliability of the valuations of these instruments on an individual basis. Where significant uncertainty over the accuracy of the valuations exists, the fair value of the instruments in question is not recognised through profit and loss, instead being recognised through reserves. Management reassesses this treatment at each balance sheet date and recognises the fair value through profit and loss at the point where the estimates are deemed reliable.

The Group does not apply hedge accounting to any of its foreign currency and interest rate derivatives. Derivatives are initially recognised at fair value on the date that a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

Leases

In the year to 31 December 2018, leases were classified as finance leases whenever the terms of the lease transferred substantially all the risks and rewards of ownership to the lessee and all other leases were classified as operating leases. Assets held under finance leases were recognised as non-current assets of the Group at their fair value at the date of commencement of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor was included in the statement of financial position as a finance lease obligation. Lease payments were apportioned between finance charges and reduction of lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were charged directly against income.

For the year ended 31 December 2019 the Group has adopted IFRS 16 "Leases" retrospectively but has not restated comparatives for the year to 31 December 2018 as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Where the Group is a lessee, a right-of-use asset and lease liability are recognised at the outset of the lease. The lease liability is initially measured at the present value of the lease payments that are not paid at that date based on the Group's expectations of the likelihood of lease extension or break options being exercised. The lease liability is subsequently adjusted to reflect imputed interest, payments made to the lessor and any lease modifications. The right-of-use asset is initially measured at cost, which comprises the amount of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the Group and an estimate of any costs that are expected to be incurred at the end of the lease to dismantle or restore the asset. The right-of-use asset is subsequently depreciated in accordance with the Group's accounting policy on property, plant and equipment. The amount charged to the income statement comprises the depreciation of the right-to-use asset and the imputed interest on the lease liability.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

1 Principal accounting policies (continued)

Government grants

Government grants received for property, plant and equipment are released to the income statement over the estimated useful life of the assets concerned. The balance of grants available for release is included in the statement of financial position as deferred income. Other grants are credited to the income statement in the period in which they are received.

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 statement of financial position date, and, where applicable, are discounted to present value, using a risk-free return rate.

Taxation

The tax charge on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred taxation is recognised using the liability method on all taxable temporary differences between the tax base and the accounting base of items included in the statement of financial position of the Group. Deferred tax is recognised at the rates of tax prevailing at the year end unless future rates have been enacted or substantively enacted. Deferred tax is not discounted.

Pensions and similar obligations

The Group provides post-employment benefits to employees in the form of pension benefits. In addition, other post-retirement benefits, mainly healthcare, are provided to certain employees in North America.

For defined benefit plans, the cost of providing the benefits is determined based on actuarial valuations of each of the plans that are carried out annually at the Group's statement of financial position date by independent qualified actuaries. Plan assets (if any) are measured at their fair values at the statement of financial position date. Benefit obligations are measured using the projected unit credit method.

The operating and financing costs of defined benefit plans are recognised separately in the income statement. The costs recognised in the income statement comprise the net total of the current service cost, plan administration expenses, the past service cost, the net interest on the net defined benefit liability/asset and the effect of curtailments and settlements. The current service cost represents the increase in the present value of the plan liabilities expected to arise from employee service in the current period. Past service costs resulting from enhanced benefits are recognised immediately in the income statement. The net interest on the net defined benefit liability/asset is calculated by multiplying the net defined benefit liability/asset by the discount rate, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments. The discount rate used is determined by reference to market yields on high quality corporate bonds, where available, or government bonds at the statement of financial position date. Gains and losses on curtailments or settlements are recognised in the income statement in the period in which the curtailment or settlement occurs.

Actuarial gains and losses, which represent differences between the expected and actual returns on the plan assets and the effect of changes in actuarial assumptions, are recognised in the statement of comprehensive income in the period in which they occur.

The defined benefit liability or asset recognised in the statement of financial position comprises the net total for each plan of the present value of the benefit obligation at the statement of financial position date, minus the fair value of the plan assets, if any, at the statement of financial position date. Where a plan is in surplus, the asset recognised is limited to the present value of any amounts that the Group expects to recover by way of refunds or a reduction in future contributions.

The cost of providing benefits through defined contribution pension schemes is charged to the income statement in the period in respect of which contributions become payable.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

1 Principal accounting policies (continued)

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below. These estimates and judgements are regularly reviewed and updated as necessary.

Estimates

Impairment of non-current assets
Impairment reviews in respect of goodwill and indefinite-lived intangible assets are performed at least annually. More regular reviews are performed on all non-current assets if events indicate that this is necessary. Examples of such triggering events would include a significant planned restructuring, a major change in market conditions or technology, expectations of future operating losses, or negative cash flows. In assessing the level of any impairment required, estimates are required in forecasting future results and hence future EBITDA and cash flow, relevant multiples of EBITDA for enterprise valuation and weighted average cost of capital for calculating discounted cash flows.

Further information concerning the assumptions used in the impairment reviews and the sensitivity analysis in respect of the estimates used can be found in note 9.

Retirement benefits
Pension accounting requires certain assumptions to be made in order to value the obligations and to determine the charges to be made to the income statement. These figures are particularly sensitive to assumptions for discount rates, mortality and inflation rates. Details of assumptions made and their relevant sensitivity analysis are given in note 13.

Income taxes
In determining the Group provisions for income tax and deferred tax it is necessary to consider transactions in a small number of key tax jurisdictions for which the ultimate tax determination is uncertain and may depend upon agreement with the relevant tax authorities. To the extent that the final outcome differs from the tax that has been provided, adjustments will be made to income tax and deferred tax provisions held in the period the determination is made. The recognition of deferred tax assets requires certain assumptions to be made regarding the utilisation of tax losses and interest deductions for future periods. In particular, estimates are required of future taxable profits against which deferred tax assets could be utilised and where full use of available assets is not expected, balances are provided.

As noted on page 3, the Group undertook a legal restructure of its US subgroup in 2018. Estimates were required to value the business, and this valuation was used to calculate the future potential tax benefits which could be recognised as a deferred tax asset.

Lease liabilities
In determining the Group's lease liabilities under IFRS 16, it is necessary to estimate the discount rates that should be applied to the future cash flows in respect of each lease.

The discount rates used and the relevant sensitivity analysis are detailed in note 20 and reflect generally available market rates for hire purchase and other secured asset financing, adjusted to reflect the risk profile of the Dundee Pikco Limited group.

Provisions
Inventory
Inventories are stated at the lower of cost and net realisable value, with due allowance for excess, obsolete or slow moving items (using an established provisioning policy) which are dependent on estimates of future revenues and margins of the inventories. In particular the valuation of the "revert" raw materials which arise as a by-product of the production processes requires estimates to be made about the potential future production needs and utilisation in the business and hence net realisable value both in resale and future use. A detailed review of this inventory during 2019 identified the requirement for additional provisions to be recognised in respect of prior years as explained on page 27.

Customer claims and returns
Appropriate provisions are made in relation to liabilities to customers where the directors believe there is a likelihood of either customer claims or product returns for components which do not meet agreed specifications. The value of the provisions takes into account the best estimates currently available.

Judgements

Classification of non-current assets held for sale and discontinued operations
Non-current assets are classified as held for sale when a sale is considered highly probable, demonstrated through a committed plan to sell and active marketing. The directors have considered the status of the divestment plans and classified certain businesses accordingly. The disposal groups are recognised at the lower of the carrying amount prior to classification as held for sale and the fair value less costs to sell. The assessment of fair value is based on judgement and experience based on previous recent sales.

1 Principal accounting policies (continued)

Critical accounting estimates and judgements (continued)

Judgements (continued)

Treatment of intercompany balances as part of net investment
Where loans are made to group subsidiaries in a currency other than the functional currency, the treatment of the currency translation difference depends on whether settlement of the loan is planned or likely to occur in the foreseeable future. At year end no settlement of the balances was expected and hence, in line with IAS 21 "The Effects of Changes in Foreign Exchange Rates" the loans are considered, in substance, to be part of the Group's net investment in its subsidiaries. As a result, exchange differences are recognised in other comprehensive income. In the event of future settlement of the balances or on disposal of the net investment, the cumulative exchange differences are reclassified from equity to profit or loss on disposal.

Classification of exceptional items
Items which are significant by virtue of their size or nature and which are considered non-recurring are classified as exceptional items. Judgement is required to determine the treatment of each item on a case by case basis. Full details of items recognised as exceptional is shown in note 5.

Continuation of former group
As detailed in the Strategic Report on page 3, the former consolidating company of the Doncasters Group, Doncasters Group Limited remains under the ownership of DIC and the former immediate parent company, Dundee Holdco 2 Limited, was placed into the hands of Administrators. As a result, and as described in the basis of preparation section above, consolidated financial statements for the Dundee Pikco Limited group are presented for the first time for the year to 31 December 2019.

The directors consider that the Dundee Pikco Limited group represents fundamentally the same group as the Doncasters Group Limited group and as described in the basis of preparation section, have applied the IFRS principles and fair values from the Doncasters Group Limited consolidated financial statements for the year to 31 December 2018 as through the Dundee Pikco Limited group has always prepared consolidated financial statements rather than the change in the structure of the holding companies representing a change in control and hence requiring application of IFRS 3 "Business Combinations".

Tax positions
The tax impact of a transaction or item can be uncertain until a conclusion is reached with the relevant tax authorities or through a legal process. The Group uses in-house tax experts when assessing uncertain tax positions and seeks the advice of professional advisors where appropriate. The significant judgement in this area concerns the disposal of the Fasteners division which completed in April 2018 (page 2).

The Group recognises provisions for uncertain tax positions when the group has present obligations as a result of a past event and management judges that it is probable there will be a future outflow of economic benefits from the Group to settle the obligation. Uncertain tax positions are assessed and measured on an issue by issue basis within the jurisdictions in which the Group operates using judgement to determine the likely outcome.

Judgement is required in determining the basis on which the tax benefit of amortisation charges is calculated. Decisions are required about whether the use of rebased asset values or an estimate of capital base is the most appropriate.

As a result of the financial restructuring (page 3) judgements have also been made on the ability to retain tax losses following the change of control.

Recent accounting developments

(a) New and amended standards adopted by the Group

In the year to 31 December 2019, the Group has, for the first time, applied IFRS 16 "Leases". This requires a right-of-use asset and lease liability to be recognised in respect of all leases other than those that are less than one year in duration of or a low value. The effect of this for the Group has been to recognise a right-of-use asset of £8.9 million (note 10), a discounted lease liability of £8.3 million (note 20) and a provision for dilapidation provisions of £0.6 million (note 18), excluding amounts held for sale (note 25) at the transition date of 1 January 2019. The Group has taken advantage of the practical expedients to apply the cumulative catch up approach rather than full retrospective application and to measure the right-of-use asset at an amount equal to the lease liability (adjusted for accruals and prepayments) at transition date.

In the year to 31 December 2019, the Group has, for the first time, applied IFRIC 23 "Uncertainty over Income Tax Treatments" which changed the method of calculating provisions for uncertain tax positions. Previously the Group recognised tax provisions based on the most likely value of the liability, if any, for each separate uncertain tax position. IFRIC 23 requires a probability weighted average approach to be taken where there is a range of possible outcomes. Further details are included in note 7.

(b) New standards and interpretations not yet adopted

There are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2 Divisional information

The Group's divisions operate in a number of geographical areas, principally the United Kingdom, Rest of Europe and the United States of America. The analysis of revenue below is based on the country in which the customer is located.

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Revenue		
UK	**27.3**	30.5
Rest of Europe	**138.4**	144.7
North America	**130.6**	106.3
Rest of the World	**63.6**	68.1
Total revenue	**359.9**	349.6

3 Operating expenses

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Cost of sales	**376.1**	338.5
Administrative expenses	**39.1**	87.2
Distribution costs	**5.0**	4.7
Total operating expenses	**420.2**	430.4

4 Operating loss

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Operating loss is arrived at after charging/(crediting):		
Depreciation – owned assets (continuing operations)	**14.8**	14.4
Depreciation – owned assets (discontinued operations)	**-**	9.2
Depreciation – right-to-use assets (continuing operations)	**1.7**	-
Impairment of property, plant and equipment (continuing operations)	**14.9**	-
Impairment of property, plant and equipment (discontinued operations)	**10.9**	2.8
Amortisation of Government grants	**(0.2)**	(0.3)
Amortisation of intangible assets (continuing operations)	**18.5**	21.0
Amortisation of intangible assets (discontinued operations)	**-**	4.2
Impairment of intangible assets (continuing operations)	**20.7**	-
Impairment of intangible assets (discontinued operations)	**0.7**	25.5
Fees payable to the Company's auditors for the audit of Company's annual financial statements	**0.6**	0.8
Fees payable to the Company's auditors for other services:		
Audit of the Company's subsidiaries pursuant to legislation	**0.8**	0.7
Tax advisory	**0.2**	0.6
Tax compliance	**0.4**	-
Other assurance services	**-**	0.1
Corporate finance	**0.4**	0.5
Research and development	**1.0**	0.2
Operating leases:		
Land and buildings	**-**	1.5
Plant and machinery	**0.1**	0.6
Loss on sale of property, plant and equipment (continuing operations)	**-**	0.2
(Profit)/loss on sale of property, plant and equipment (discontinued operations)	**(0.3)**	0.6
Doubtful debt expense (continuing operations)	**0.1**	-
Doubtful debt expense (discontinued operations)	**-**	0.1
Long-term incentive plans	**-**	0.2
Raw materials and consumables used	**167.3**	167.6
Net foreign exchange losses	**1.1**	1.2

Fees payable to the Company's auditors relating to the audit of pension schemes amounted to £40,000 (2018: £20,000).

5 Exceptional items

Exceptional items included within loss before taxation are categorised as follows:	**Year ended 31 December 2019 £ million**	Year ended 31 December 2018 £ million
Cost of sales		
Redundancy and other reorganisation costs	**2.6**	1.0
Claims, settlements, litigation costs and product write downs	**2.2**	1.7
Impairment of intangible assets	**20.7**	-
Impairment of property, plant and equipment	**14.9**	-
Other	**1.4**	0.4
Administrative expenses		
Impairment of amounts due from group companies	**-**	61.7
Professional fees incurred on divestment activity	**3.4**	0.5
Business disruption	**(0.2)**	0.3
Finance costs		
Professional fees incurred in relation to refinancing	**14.9**	-
	59.9	65.6

Exceptional costs in the year to 31 December 2019 included:

- Redundancy and other reorganisation costs of £2.6 million in respect of restructuring activities at 2 manufacturing businesses;
- Claims, settlement, litigation costs and product write downs of £0.9 million relates to health and safety claims in the UK and £1.3 million in respect of write downs following the decision not to proceed with an investment in a superalloy site in China.
- Impairment of intangible assets of £20.7 million. Full details of the need for the impairment are included in note 9.
- Impairment of property, plant and equipment of £14.9 million. Full details are included in note 10;
- Other various exceptional costs of £1.4 million including:
  - £0.6 million in respect of amounts payable to the previous ultimate parent company relating to the financial restructuring (see page 2); and
  - £0.8 million in respect of an aborted ERP system project that will not now proceed.
- Professional fees incurred on divestment activity of £3.4 million. The full list of businesses divested during the year ended 31 December 2019 as part of the process of streamlining Doncasters' operational presence is detailed on page 2 in the Strategic report;
- A credit of £0.2 million in relation to business disruption relating to insurance claims monies received against the business interruption event in 2019; and
- Professional fees incurred in relation to refinancing of £14.9 million. Details of the financial restructuring are included in the Strategic report on page 3 and in note 27.

Exceptional costs in the year to 31 December 2018 included:

- Redundancy and other reorganisation costs of £1.0 million largely incurred as a result of changes in executive management and significant restructuring of certain sites as part of a cost reduction programme;
- Claims, settlements, litigation costs and product write downs on £1.7 million in respect of customer claims;
- Other various exceptional costs of £0.4 million;
- A write down of £61.7 million is respect of amounts due to group companies;
- Professional fees incurred on divestment activity of £0.5 million (see page 2); and
- Business disruption costs of £0.3m related to a one-off business disruption for a short period of time during the final quarter of 2017 which affected production at a certain number of sites and deliveries to customers. All facilities were reinstated without issue and deliveries made to customers. The cost incurred included lost production time and one-off costs directly associated with the event.

Tax has been provided on exceptional items, where required, at the relevant tax rate resulting in a tax credit of £1.0 million (2018: credit of £1.0 million).

6 Net finance costs before exceptional items

Analysis of net finance costs categorised between amounts due in cash and non-cash items:

	Due in cash £ million	Non-cash £ million	Year ended 31 December 2019 Total £ million	Year ended 31 December 2018 Total £ million
Finance income				
Net gains on financial instruments not qualifying for hedge accounting:				
Net foreign exchange gain	-	4.9	4.9	-
Net interest on post-retirement schemes	-	0.1	0.1	1.2
Total finance income	-	5.0	5.0	1.2
Finance costs				
Debt issue costs amortised	-	(3.1)	(3.1)	(4.3)
Interest payable on borrowings:				
Bank loans and overdrafts	(38.7)	-	(38.7)	(39.6)
Interest payable to other group companies	-	(96.0)	(96.0)	(84.6)
Net foreign exchange loss	-	-	-	(8.2)
Interest payable on leases	(0.5)	-	(0.5)	-
Other interest payable	(0.6)	-	(0.6)	(0.1)
Total finance costs	(39.8)	(99.1)	(138.9)	(136.8)
Net finance costs	(39.8)	(94.1)	(133.9)	(135.6)

Exceptional finance costs of £14.9 million in the year ended 31 December 2019 in respect of professional fees incurred in the restructuring are detailed in note 5.

7 Taxation

(a) Tax charge/(credit) in the income statement:

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Current tax		
Current tax charge for the year	1.1	22.0
Adjustments in respect of prior years	(1.3)	0.1
Total current tax	(0.2)	22.1
Deferred tax		
Origination and reversal of temporary differences	14.7	(23.8)
Adjustments in respect of prior years	1.0	(1.1)
Total deferred tax	15.7	(24.9)
Total tax charge/(credit)	15.5	(2.8)

On 26 October 2015 the UK Parliament substantively enacted the Finance Act 2014, including a reduction of the UK corporate tax rate to 19% effective from 1 April 2017 and 18% effective from 1 April 2020.

On 6 September 2016 the UK Parliament substantively enacted the Finance Act 2016, including a further reduction of the UK corporate tax rate to 17% effective from 1 April 2020.

On 17 March 2020, the UK Parliament substantively enacted the Finance Act 2020, cancelling previous enacted reductions and maintaining the UK corporate tax rate at 19%.

7 Taxation (continued)

(b) Reconciliation of the effective tax rate:

	Year ended 31 December 2019	Year ended 31 December 2018
	£ million	£ million Restated
Loss before taxation	**(209.1)**	(216.4)
Tax at weighted average rate	**(41.3)**	(43.4)
Effects of:		
Expenses not deducted for tax purposes	**23.3**	21.3
Change in valuation of deferred tax assets	**21.4**	(13.7)
Adjustments in respect of prior years	**(0.3)**	(1.0)
FRS 102 transition adjustments	**6.8**	5.1
Tax loss on which deferred tax not recognised	**3.7**	2.7
Impact of internal US restructuring	**-**	26.4
Other	**1.9**	(0.2)
Total tax charge/(credit)	**15.5**	(2.8)

The Group operates across the world and is subject to income tax in different jurisdictions. The Group calculates its weighted average tax rate as a weighted average of the domestic tax rates in the respective countries. The expected effective tax rate was 19.75% (2018: 20.06%). The decrease is largely caused by changes in the profitability of the Group's subsidiaries in their respective countries.

For the year ended 31 December 2015 the Group's subsidiaries in the UK were required to prepare accounts under a new accounting framework (FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"). Transition adjustments to taxable profits gave rise to a £6.8 million charge (2018: £5.1 million)

As part of a refinancing in 2013 the Group undertook certain transactions which were the subject of an enquiry by HM Revenue & Customs. The Group took professional advice when implementing these transactions and believe it accounted for tax in accordance with the appropriate tax legislation. The enquiry was concluded during the year to 31 December 2019 and involved utilisation of capital allowances and a cash settlement of £1.0 million which was paid in early 2020.

In the year ended 31 December 2018, as part of the disposal of the Fasteners division the Group undertook a legal restructure of its US subgroup. This resulted in a taxable gain for the Group of approximately £116.1 million. The principal elements of this taxable gain arose in the US (£106.4 million) and Germany (£9.7 million). Additionally, the restructure resulted in the Group recognising intangible assets of £98.9 million for tax purposes only, which will be tax deductible in the US over a number of years. In the year ended 31 December 2019 the estimates supporting the taxable gain were refined resulting in a reduction of £8.4 million to £107.7 million resulting in a reduced tax charge of £1.6 million.

Deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. As such, having reviewed the future forecast taxable profits of the group, an additional £26.1 million of deferred tax assets has not been recognised during the year ended 31 December 2019.

In line with the principles of IFRIC 23 "Uncertainty over Income Tax Treatments" there is a provision at 31 December 2019 of £7.8 million (2018: £8.5 million) relating to the tax treatment of business disposals during 2018. The amount is provided in full and there is no further liability above what has been provided. The provision represents management's estimate of the most likely outcome.

8 Employees

The total number of employees at 31 December 2019 was 1,957 (2018: 2,073).

The monthly average number employed by the Group (including executive directors) was:	**Year ended 31 December 2019 Number**	Year ended 31 December 2018 Number
United Kingdom	**728**	813
Rest of Europe	**529**	493
North America	**795**	747
Rest of the World	**3**	1
	2,055	2,054
Production	**1,828**	1,747
Sales and marketing	**17**	24
Administration	**210**	283
	2,055	2,054

The costs* incurred in respect of these employees were:	**Year ended 31 December 2019 £ million**	Year ended 31 December 2018 £ million Restated
Wages and salaries	**90.1**	86.4
Social security costs	**9.7**	9.1
Other pension costs	**2.0**	2.6
Long-term incentive plans	**-**	0.2
	101.8	98.3

*Excluding redundancy costs disclosed in note 5.

Key management personnel remuneration (Executive Leadership Team):	**Year ended 31 December 2019 £ million**	Year ended 31 December 2018 £ million
Short term employee benefits *	**6.2**	5.8
Post employment benefits	**0.2**	0.1
Long-term incentive plans	**-**	0.2
	6.4	6.1

* Includes compensation for loss of office of £1.3 million (2018: £1.9 million)

Details of the directors' remuneration are shown in the Report of the directors on page 10.

9 Intangible assets

	Goodwill £ million	Finite-lived intangible assets £ million	Software £ million	Other development costs £ million	Total £ million
Cost					
At 1 January 2018	222.1	517.6	6.0	12.0	757.7
Additions	-	-	1.4	1.3	2.7
Disposals	(3.1)	(16.1)	-	(0.4)	(19.6)
Currency exchange movements	3.3	10.7	0.5	1.4	15.9
Transferred to disposal group classified as held for sale	(63.8)	(56.5)	(0.8)	(5.6)	(126.7)
At 1 January 2019	**158.5**	**455.7**	**7.1**	**8.7**	**630.0**
Additions	**-**	**-**	**0.8**	**-**	**0.8**
Currency exchange movements	**0.2**	**(8.9)**	**(0.1)**	**-**	**(8.8)**
Transferred to disposal group classified held for sale	**(43.3)**	**(89.3)**	**(3.4)**	**(5.4)**	**(141.4)**
At 31 December 2019	**115.4**	**357.5**	**4.4**	**3.3**	**480.6**
Amortisation and impairment					
At 1 January 2018	78.8	406.9	3.3	3.0	492.0
Charge for the year	-	23.9	0.5	0.8	25.2
Disposals	-	(9.0)	(0.2)	-	(9.2)
Currency exchange movements	0.4	10.3	0.1	(0.6)	10.2
Transferred to disposal group classified as held for sale	(18.4)	(43.5)	(0.3)	(0.7)	(62.9)
At 1 January 2019	**60.8**	**388.6**	**3.4**	**2.5**	**455.3**
Charge for the year	**-**	**16.9**	**0.8**	**0.8**	**18.5**
Impairment of intangibles	**15.8**	**2.2**	**0.6**	**2.1**	**20.7**
Currency exchange movements	**3.1**	**(7.5)**	**0.2**	**-**	**(4.2)**
Transferred to disposal group classified as held for sale	**(27.0)**	**(85.8)**	**(1.5)**	**(2.4)**	**(116.7)**
At 31 December 2019	**52.7**	**314.4**	**3.5**	**3.0**	**373.6**
Net book amount at 31 December 2019	**62.7**	**43.1**	**0.9**	**0.3**	**107.0**
Net book amount at 31 December 2018	97.7	67.1	3.7	6.2	174.7

The amortisation and impairment charges are classified to cost of sales within the consolidated income statement.

Finite-lived intangible assets are all externally generated and arise on the Group's previous acquisitions. They mainly comprise valuations for customer contracts and relationships, order book, patents, trade names and supply agreements. The following assumptions were used in the calculations of the fair value of these intangibles at inception:

Useful lives	between 1 and 25 years
Long-term growth rates	between 2.5% and 3.0%
Discount rates	between 11.8% and 17.8%
Royalty rates	between 0.3% and 3.5%

9 Intangible assets (continued)

Goodwill is allocated to cash generating units ("CGUs") and is summarised by division below:

	2019 £ million	2018 £ million
Power Systems	**33.5**	53.2
Specialised Engineering	**29.2**	44.5
Total continuing operations	**62.7**	97.7
Disposal group classified as held for sale (note 25)	**-**	25.7
	62.7	123.4

The Group tests intangible and tangible fixed assets annually for impairment or more frequently if there are indications that they may be impaired. Goodwill is not monitored for internal purposes at an individual CGU level. The group reports its results in divisions comprising groupings of individual CGUs that have similar operating and market characteristics and therefore goodwill has been allocated to these divisions, which are not larger than an operating segment.

IAS 36 "Impairment of Assets" requires assets to be carried at no more than their recoverable amount, which is the higher of fair value less costs to sell and value in use.

As a result of the financial restructuring that completed during 2020 (see page 3) an in-depth external review of business valuations was finalised in January 2020. This valuation considered the net present value of future cash flows, EBITDA multiples and valuation on a leveraged buy-out basis and was akin to an assessment of fair value. The exercise was based on applicable assumptions as at 31 December 2019.

The Directors compared the results of this external valuation exercise with the internal valuation built from discounted adjusted budgeted operating cash flows, which included a series of assumptions in respect of the likely growth of each division and the discount rate applicable. This valuation provided an assessment of value in use.

The results of these two different valuation exercises indicated that for each division the higher of fair value and value in use was in excess of the carrying amount and strict application of IAS 36 principles would result in no impairment being recognised.

There were, however, some significant differences between the two valuation methods and the directors judged that the in-depth review, which resulted in the lower overall valuation, to be the more reliable approach due to the level of inherent uncertainties in the long term forecasts available to determine value in use. This valuation considered a number of assumptions:

- For the discounted cash flow ("DCF") enterprise value – WACC in the range 9.5% to 10.5% and terminal growth rate in the range 1.75% to 2.25%;
- A DCF valuation range of 11.4x to 13.7x EBITDA for the year to 31 December 2020 and 6.7x to 8.0x for the year to 31 December 2021; and
- An enterprise value to revenue ratio of 0.92x to 1.00x for the year to 31 December 2020 and a revenue to EBITDA ratio of 6.6x to 7.8x for the year to 31 December 2021 after adjustment for debt and debt-like items and non-operational adjustments.

In particular the Directors considered that the enterprise valuation methodology based on multiples of forecast EBITDA represented the most appropriate metric. As a result, in respect of continuing operations, an impairment charge of £15.8 million was recognised in respect of goodwill, £2.2 million was recognised in respect of finite-lived intangible assets, £2.1 million was recognised in respect of development costs and £4.9 million was recognised in respect of property, plant and equipment (note 10). Details of impairments in respect of discontinued operations are included in note 25.

In addition, a £0.6 million impairment was recognised in respect of continuing operations in respect of an ERP software project that will not be proceeding.

In the year to 31 December 2018, the Directors considered both discounted cash flow analysis and experience and knowledge of market views of selling prices and multiples of EBITDA and other valuation methodologies in reviewing carrying values for goodwill and other intangible assets. A discounted cash flow analysis was computed to compare discounted estimated future operating cash flows to the net carrying value of each group of CGUs. The analysis was based on forecast cash flows for 5 years, with growth rates between 2.0% and 3.0% used to project increases in cash flows in years 4 and 5 and to also determine terminal values. The estimated cash flows were discounted using pre-tax discount rates appropriate to the respective CGUs based on industry sector and territory of operation. These rates ranged from 8.7% to 16.7%. The test was dependent on management estimates and judgements, in particular in relation to the forecasting of future cash flows and the discount rate applied to these cash flows. Management's projections were prepared on the basis of formal strategic plans, knowledge of the market, and management's views on achievable growth in market share over the long-term. The underlying sales forecasts used when modelling the future cash flows projected a 5.4% year on year increase in sales in 2020, a 10.3% year on year increase in sales in 2021 and a 5.4% year on year increase in sales in 2022. As a result of the review no impairment was identified in respect of continuing operations.

9 Intangible assets (continued)

The impairment of intangible assets charged to the income statement in respect of continuing operations by division is as summarised below.

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Power Systems	**5.8**	-
Specialised Engineering	**14.9**	-
Total impairment	**20.7**	-

Sensitivity to changes in assumptions

For the impairment review as at 31 December 2019, based on the internal valuation built from EBITDA multiples, further impairment, over and above that recognised as a result of the external valuation exercise, would be recognised in each of the following scenarios:

- The estimated EBITDA being 10% lower than management's estimate would result in additional impairment of £2.6 million in respect of Power Systems and £8.0 million is respect of Specialised Engineering; or
- The estimated EBITDA multiple being lower than management's estimate by 1x would result in additional impairment of £2.6 million in respect of Power Systems and £8.2 million is respect of Specialised Engineering.

For the impairment review as at 31 December 2018 no further impairment would be recognised for each of the following scenarios:

- The estimated pre-tax discount rate applied to discounted cash flows being 1% higher than management's estimate;
- The estimated cash flows generated being 10% lower than management's estimate; or
- The estimated growth rate being 1% lower than management's estimate.

Covid-19 pandemic

The Group has assessed Covid-19 as a non-adjusting post balance sheet event and are satisfied that no further impairments are required in respect of the carrying values for December 2019. Further details of the impact of the Covid-19 pandemic are included in the Strategic report and note 27.

10 Property, plant and equipment

(a) Owned property, plant and equipment:

	Land and buildings	Plant and machinery	Total
	£ million	£ million	£ million
Cost			
At 1 January 2018	76.9	325.6	402.5
Additions	1.4	19.0	20.4
Disposals	(2.1)	(16.8)	(18.9)
Reclassifications between categories	11.7	(11.7)	-
Reclassification to inventory	-	(1.7)	(1.7)
Currency exchange movements	0.9	6.0	6.9
Transferred to disposal group classified as held for sale	(7.6)	(65.5)	(73.1)
At 1 January 2019	**81.2**	**254.9**	**336.1**
Additions	**0.7**	**8.2**	**8.9**
Disposals	**(6.6)**	**(13.8)**	**(20.4)**
Reclassification between categories	**1.3**	**(1.3)**	**-**
Currency exchange movements	**(1.5)**	**(5.1)**	**(6.6)**
Transferred to disposal group classified as held for sale	**(21.3)**	**(69.1)**	**(90.4)**
At 31 December 2019	**53.8**	**173.8**	**227.6**
Depreciation			
At 1 January 2018	23.9	180.8	204.7
Charge for the year	2.7	20.9	23.6
Disposals	(1.0)	(9.5)	(10.5)
Reclassification between categories	0.6	(0.6)	-
Currency exchange movements	0.4	3.4	3.8
Transferred to disposal group classified as held for sale	(3.4)	(39.3)	(42.7)
At 1 January 2019	**23.2**	**155.7**	**178.9**
Charge for the year	**1.6**	**13.2**	**14.8**
Impairment charge	**11.1**	**3.8**	**14.9**
Disposals	**(5.6)**	**(12.1)**	**(17.7)**
Currency exchange movements	**(0.3)**	**(3.3)**	**(3.6)**
Transferred to disposal group classified as held for sale	**(7.0)**	**(50.5)**	**(57.5)**
At 31 December 2019	**23.0**	**106.8**	**129.8**
Net book value at 31 December 2019	**30.8**	**67.0**	**97.8**
Net book value at 31 December 2018	58.0	99.2	157.2

The net book value at 31 December 2019 includes £6.4 million is respect of assets in the course of construction (2018: £12.6 million).

Of the above depreciation charge, £14.5 million (2018: £23.5 million) is classified as cost of sales and £0.3 million (2018: £0.1 million) is classified as operating expenses.

There was no depreciation charged in respect of disposal groups classified as held for sale for the year ended 31 December 2019. In the year ended 31 December 2018 depreciation charged was all classified as cost of sales, see note 4 for the split between continuing and discontinued operations.

10 Property, plant and equipment (continued)

(a) Owned property, plant and equipment (continued):

During the year ended 2019 impairment of £14.9 million (2018: £nil) was charged. £4.9 million of this impairment charge arose from the in-depth external valuation exercise (note 9). £3.0 million related to the decision not to proceed with an investment in a superalloy site in China (note 5). £2.7 million resulted from the retention of certain assets, including buildings, from businesses that were part of the phased divestment (page 2). £4.3 million resulted from the revaluation of land to its net realisable value after a change in site management lead to a review of operations which concluded that repurposing an existing site can be achieved largely within the current footprint which led to the requirement for a parcel of land being valued at market value rather than value in use.

	2019 £ million	2018 £ million
The net book value of land and buildings comprises:		
Freehold	**30.1**	57.3
Long leasehold	**0.7**	0.7
	30.8	58.0

Included in the above amounts is £15.7 million (2018: £22.7 million) in respect of land which is not depreciated.

At 31 December 2018, included above was cost of £0.4 million and accumulated depreciation of £nil in respect of assets held under leases that were classified as finance leases under IAS 17 “Leases”.

The impact of the adoption of IFRS 16 “Leases” is described in note 1.

(b) Right-of-use assets:

	Land and buildings £ million	**Plant and machinery £ million**	**Total £ million**
Cost			
At 1 January 2019	**7.8**	**2.5**	**10.3**
Transferred to disposal group classified as held for sale	**-**	**(1.4)**	**(1.4)**
Additions	**-**	**0.5**	**0.5**
Disposals	**(1.2)**	**-**	**(1.2)**
Currency exchange movements	**(0.2)**	**(0.1)**	**(0.3)**
At 31 December 2019	**6.4**	**1.5**	**7.9**
Depreciation			
At 1 January 2019	**-**	**-**	**-**
Charge for the year	**1.4**	**0.3**	**1.7**
At 31 December 2019	**1.4**	**0.3**	**1.7**
Net book value at 31 December 2019	**5.0**	**1.2**	**6.2**

The net book value of assets recognised at 1 January 2019, after transfers to the disposal group, was £8.9 million.

11 Trade and other receivables

	2019 £ million	2018 £ million
Trade receivables	**56.4**	84.5
Provision for doubtful debts	**(0.1)**	(0.1)
Net trade receivables	**56.3**	84.4
Prepayments and accrued income	**2.5**	2.9
Other receivables	**37.5**	8.1
Total trade and other receivables	**96.3**	95.4
Current portion	**96.2**	94.5
Non-current portion	**0.1**	0.9
	96.3	95.4

The fair value of trade and other receivables approximates book value due to their short maturities.

The ageing analysis of the trade receivables (from date of past due) covered by the provision for doubtful debts are as follows:

	2019 £ million	2018 £ million
Up to 3 months	**0.1**	-
3 to 6 months	**-**	0.1
Over 6 months	**-**	-
	0.1	0.1

The movement in the provision for doubtful debts is as follows:

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
At beginning of the year	**0.1**	0.2
Amounts recognised in the income statement	**0.1**	-
Amounts written off	**-**	(0.1)
Transferred to disposal group classified as held for sale	**(0.1)**	-
At end of the year	**0.1**	0.1

For IFRS 9 purposes, trade receivables balances have been categorised according to credit rating and duration of trading relationship. New customers without a credit rating and existing customers with no known credit rating but no history of default are provided at an expected loss rate of 0.5%. Existing customers with a good credit rating are provided at an expected loss rate of 0%. As at 31 December 2019, the trade receivable balance in respect of new customers and existing customers without an external credit rating was £19.4 million (2018: £25.6 million) (note 12) which at an expected loss rate of 0.5% results in a provision for doubtful debts of £0.1 million (2018: £0.1 million).

The ageing analysis of trade receivables (from date of past due) is as follows:

	2019 £ million	2018 £ million
Up to 3 months	**15.3**	9.3
3 to 6 months	**-**	1.1
Over 6 months	**-**	0.9
	15.3	11.3

11 Trade and other receivables (continued)

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2019 **£ million**	2018 £ million
Sterling	**36.9**	35.8
US $	**37.9**	35.9
Euro	**21.5**	23.7
	96.3	95.4

12 Financial instruments and treasury risk management

The following financial assets and liabilities are held by the group:

	2019 **£ million**	2018 £ million
Financial assets		
Financial assets at amortised cost:		
Financial assets at fair value through other comprehensive income	**0.6**	0.6
Cash and cash equivalents (note 16)	**59.0**	33.0
Trade and other receivables (note 11)	**93.8**	92.5
Financial assets at fair value through profit or loss:		
Derivative financial instruments	**4.9**	2.9
	158.3	129.0

The category 'Trade and other receivables' excludes prepayments of £2.5 million (2018: £2.9 million).

	2019 **£ million**	2018 £ million
Financial liabilities		
Financial liabilities at amortised cost:		
Bank loans (note 17)	**553.5**	610.9
Leases (note 20)	**5.9**	0.2
Other loans (note 17)	**0.6**	0.9
Trade and other payables (note 19)	**1,192.5**	1,099.6
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	**1.8**	0.9
	1,754.3	1,712.5

The category 'Trade and other payables' excludes deferred income of £1.1 million (2018: £6.6 million) and social security and sundry taxes of £1.1 million (2018: £1.8 million).

Financial assets held at fair value through other comprehensive income predominantly comprise unlisted investments in trusts to fund retirement benefit obligations in the US. These financial assets are not held for trading and the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

The Group manages a variety of market risks, including the effects of changes in foreign currency exchange rates, interest rates, liquidity and credit risks.

The most significant treasury exposures faced by the Group are managing interest rate and currency positions. Clear parameters have been established including levels of authority on the type and use of financial instruments to manage these exposures. Transactions are only undertaken if they relate to the underlying exposures.

12 Financial instruments and treasury risk management (continued)

Currency risks

The Group faces currency exposure on trading transactions undertaken by its subsidiaries in foreign currencies. These exposures are hedged, taking into account currency debt interest and principal repayments, by taking out forward foreign exchange contracts. These contracts have a maturity of up to five years forward and are against anticipated and known sales and purchases.

The following table shows the Group's exposure in different currency of financial assets and liabilities as at the statement of financial position date:

At 31 December 2019	**Sterling £ million**	**US $ £ million**	**Euro £ million**	**Other £ million**	**Total book value £ million**	**Fair value £ million**
Financial assets						
Financial assets at fair value through other comprehensive income	**-**	**0.6**	**-**	**-**	**0.6**	**0.6**
Cash and cash equivalents (note 16)	**47.9**	**9.8**	**1.3**	**-**	**59.0**	**59.0**
Trade and other receivables (note 11)	**35.1**	**37.2**	**21.5**	**-**	**93.8**	**93.8**
Derivative financial instruments	**-**	**4.0**	**0.9**	**-**	**4.9**	**4.9**
	83.0	**51.6**	**23.7**	**-**	**158.3**	**158.3**
Financial liabilities						
Bank loans (note 17)	**(105.6)**	**(447.9)**	**-**	**-**	**(553.5)**	**(221.6)**
Leases (note 20)	**(0.6)**	**(5.0)**	**(0.3)**	**-**	**(5.9)**	**(5.9)**
Other Loans (note 17)	**-**	**(0.6)**	**-**	**-**	**(0.6)**	**(0.6)**
Trade and other payables (note 19)	**(1,157.1)**	**(23.9)**	**(11.5)**	**-**	**(1,192.5)**	**(1,192.5)**
Derivative financial instruments	**-**	**(1.8)**	**-**	**-**	**(1.8)**	**(1.8)**
	(1,263.3)	**(479.2)**	**(11.8)**	**-**	**(1,754.3)**	**(1,422.4)**

At 31 December 2018	Sterling £ million	US $ £ million	Euro £ million	Other £ million	Total book value £ million	Fair value £ million
Financial assets						
Financial assets at fair value through other Comprehensive income	-	0.6	-	-	0.6	0.6
Cash and cash equivalents (note 16)	13.9	7.1	12.0	-	33.0	33.0
Trade and other receivables (note 11)	33.7	35.1	23.7	-	92.5	92.5
Derivative financial instruments	0.1	2.6	0.2	-	2.9	2.9
	47.7	45.4	35.9	-	129.0	129.0
Financial liabilities						
Bank loans (note 17)	(114.5)	(490.2)	(6.2)	-	(610.9)	(571.0)
Leases (note 20)	(0.2)	-	-	-	(0.2)	(0.2)
Other Loans (note 17)	-	(0.9)	-	-	(0.9)	(0.9)
Trade and other payables (note 19)	(1,062.6)	(24.4)	(12.6)	-	(1,099.6)	(1,099.6)
Derivative financial instruments	-	(0.8)	(0.1)	-	(0.9)	(0.9)
	(1,177.3)	(516.3)	(18.9)	-	(1,712.5)	(1,672.6)

The category 'Trade and other receivables' excludes prepayments of £2.5 million (2018: £2.9 million). Likewise, the category 'Trade and other payables' excludes deferred income of £1.1 million (2018: £6.6 million) and social security and sundry taxes of £1.1 million (2018: £1.8 million).

The fair values of the bank loans have been estimated by reference to the financial restructuring exercise (page 3) and the in-depth valuation of the business (note 9).

12 Financial instruments and treasury risk management (continued)

Currency risks (continued)

The values of debt, investments and related hedging instruments, denominated in currencies other than the functional currency of the entities holding them, are subject to exchange rate movements. The translation risk on the foreign exchange debtors and creditors is excluded from this sensitivity analysis as the risk is not considered to be material.

	Statement of financial position		**Income statement**	
	2019 £ million	2018 £ million	**2019 £ million**	2018 £ million
Sensitivity to a reasonably possible 10% change in US $ and € exchange rates	**49.8**	55.5	**3.5**	3.6

Interest rate profile and risks

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the statement of financial position dates are as follows:

	2019 £ million	2018 £ million
Less than one year	**553.5**	610.9
Between one and two years	**0.6**	0.9
	554.1	611.8

The analysis below shows the sensitivity of the income statement to a reasonably possible two percentage point change in floating interest rates on a full-year basis.

	Income statement	
	2019 £ million	2018 £ million
Sensitivity to a reasonably possible 2% change in interest rates on debt	**11.1**	12.3

The interest rate profile of the Group's interest bearing liabilities at the year end is detailed below:

The 1st lien Sterling term loan bears interest at LIBOR (provided that such rate shall not be less than 1.00% per annum with respect to any term loan) plus 3.75% being 4.75% at 31 December 2019. Repayments on the facility are 0.25% of the principal amount each quarter. The remaining balance is repayable in one instalment on 9 April 2020.

The 1st lien US dollar term loan bears interest at LIBOR (provided that such rate shall not be less than 1.25% per annum with respect to any term loan) plus 3.50% being 5.60% at 31 December 2019. Repayments on the facility are 0.25% of the principal amount each quarter. The remaining balance is repayable in one instalment on 9 April 2020.

The 2nd lien US dollar term loan bears interest at LIBOR (provided that such rate shall not be less than 1.25% per annum with respect to any term loan) plus 8.25% being 10.35% at 31 December 2019. This loan is repayable in one instalment on 9 October 2020.

These loans were restructured in March 2020 as part of the financial restructuring detailed on page 3.

At 31 December 2018, the revolving credit facility had a maximum available drawdown amounting to £120.0 million having been increased to this amount following a formal extension of the facility in September 2017. The maturity of the facility was also extended to 8 January 2020. This maximum amount was subject to deductions based on certain working capital criteria; the adjusted maximum available drawdown was £85.6 million at 31 December 2018. As at 31 December 2018 the amount drawn down was £38.7 million. This bore interest at LIBOR (provided that such rate shall not be less than 1.25% per annum with respect to any term loan) plus 2.50% being 3.99% at 31 December 2018.

Repayments on this facility were at the option of the Group and the facility was fully paid down and cancelled during the year ending 31 December 2019.

12 Financial instruments and treasury risk management (continued)

Liquidity risk

The Group's policy is to finance itself using long-term debt instruments with a range of maturities. These instruments are denominated in various currencies to manage the statement of financial position translation exposure of its investments in overseas subsidiary undertakings.

Cash is managed by placing it on short-term investments with certain of the Group's banking institutions. Cash surplus to the short-term requirements of the Group is used to repay existing debt instruments and reduce the future interest cost burden.

The following table shows the Group's undiscounted contractually agreed cash flows, including both interest payments and capital repayments on borrowings, as at the statement of financial position date:

	Less than 1 year £ million	**Between 1 and 2 years £ million**	**Between 2 and 5 years £ million**	**Total £ million**
At 31 December 2019	(570.3)	(3.7)	(1.3)	(575.3)
At 31 December 2018	(33.0)	(628.9)	(1.0)	(662.9)

Derivative financial instruments

The Group has comprehensive policies in place covering the use of derivative financial instruments. These instruments are used for hedging purposes. Established controls are in place covering all financial instruments.

Under the Group's foreign currency exchange policy, a proportion of operating transaction exposures are hedged through the use of foreign currency exchange contracts. The fair value of these contracts represents the unrealised gain or loss on revaluation of the contracts at the year end forward exchange rates. Gains and losses on these instruments are recognised through operating expenses. Similar foreign exchange contracts are used to mitigate the exposure to currency risk on debt denominated in foreign currencies. The gain and loss on these instruments is recognised through finance costs/(income).

In certain customer contracts there are mechanisms in place to fix the price of nickel over the duration or a period of the contract. In order to mitigate the risk associated with these conditions the group uses forward nickel contracts where appropriate.

The following tables analyse the Group's derivative financial liabilities and assets which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

Assets
At 31 December 2019

	Less than 1 year £ million	**Between 1 and 2 years £ million**	**Between 2 and 5 years £ million**	**Over 5 years £ million**	**Total £ million**
Forward foreign exchange contracts					
- Outflow	**(17.0)**	**-**	**-**	**-**	**(17.0)**
- Inflow	**18.1**	**-**	**-**	**-**	**18.1**
Forward nickel contracts					
- Outflow	**(2.7)**	**(3.0)**	**(6.3)**	**-**	**(12.0)**
- Inflow	**3.4**	**3.9**	**8.5**	**-**	**15.8**
	1.8	**0.9**	**2.2**	**-**	**4.9**

At 31 December 2018

	Less than 1 year £ million	Between 1 and 2 years £ million	Between 2 and 5 years £ million	Over 5 years £ million	Total £ million
Forward foreign exchange contracts					
- Outflow	(25.6)	(14.8)	-	-	(40.4)
- Inflow	25.9	14.9	-	-	40.8
Forward nickel contracts					
- Outflow	(2.0)	(5.7)	(19.1)	-	(26.8)
- Inflow	2.3	6.2	20.8	-	29.3
	0.6	0.6	1.7	-	2.9

12 Financial instruments and treasury risk management (continued)

Derivative financial instruments (continued)

Liabilities

At 31 December 2019

	Less than 1 year £ million	Between 1 and 2 years £ million	Between 2 and 5 years £ million	Over 5 years £ million	Total £ million
Forward foreign exchange contracts					
- Outflow	**(2.1)**	**-**	**-**	**-**	**(2.1)**
- Inflow	**2.1**	**-**	**-**	**-**	**2.1**
Forward nickel contracts					
- Outflow	**(3.8)**	**(3.9)**	**(8.5)**	**-**	**(16.2)**
- Inflow	**3.4**	**3.4**	**7.6**	**-**	**14.4**
	(0.4)	**(0.5)**	**(0.9)**	**-**	**(1.8)**

At 31 December 2018

	Less than 1 year £ million	Between 1 and 2 years £ million	Between 2 and 5 years £ million	Over 5 years £ million	Total £ million
Forward foreign exchange contracts					
- Outflow	(29.3)	(2.4)	-	-	(31.7)
- Inflow	28.4	2.4	-	-	30.8
Forward nickel contracts					
- Outflow	-	-	-	-	-
- Inflow	-	-	-	-	-
	(0.9)	-	-	-	(0.9)

The above financial instruments are not traded in an active market and their values are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. As all significant inputs required to fair value the above financial instruments are observable, these instruments are categorised as level 2 and there has been no change during the year in the technique adopted.

Credit risk

Credit risk arises from cash and cash equivalents, credit sales, derivative financial instruments and deposits with banks. Credit risk related to the use of treasury instruments is managed on a Group basis. This risk arises from transactions with banks, such as those involving cash and cash equivalents, deposits and derivative financial instruments. To reduce the credit risk, the Group has concentrated its main activities with a group of banks that have secure credit ratings. For each bank, individual risk limits are set based on its financial position, credit ratings, past experience and other factors. The utilisation of credit limits is regularly monitored.

The Group has significant sales contracts with a number of “blue-chip” companies and accordingly the directors believe there is a limited exposure to credit risk, but this is actively monitored at board level. The Group’s policy on credit risk requires appropriate credit checks on potential customers before sales commence.

The Group applies the IFRS9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics, duration of trading relationship and the days past due. The expected loss rates are based on payment profiles of sales and the corresponding historical credit losses, and a provision for doubtful debts is recognised (note 11). Amounts are written off only when there is no reasonable expectation of recovery. Any balances that are subject to enforcement action are retained until the action is completed and the potential recovery can be quantified.

12 Financial instruments and treasury risk management (continued)

Credit risk (continued)

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade and other receivables (excluding prepayments)

	2019 £ million	2018 £ million
Moody's rating (as at the statement of financial position date):		
A	**19.1**	32.4
Baa	**12.8**	20.8
Ba	**-**	2.7
B	**5.1**	3.0
Top 80% of balances	**37.0**	58.9
Counterparties without external credit rating:		
New customers (less than 6 months)	**-**	2.5
Existing customers with no default in the past	**19.4**	23.1
Trade receivables (note 11)	**56.4**	84.5
Bad debt provision	**(0.1)**	(0.1)
Other receivables	**37.5**	8.1
	93.8	92.5

The charge recognised in the income statement for doubtful debt expense for continuing operations in 2019 was £0.1 million (2018: £nil million).

Cash and cash equivalents		
Aa	**-**	0.1
A	**59.0**	32.9
	59.0	33.0

Capital risk

The Group's objectives when managing capital, being called up share capital, are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Further information on the financial restructuring of the Group is included on page 3 within the Strategic Report. The directors believe that the new capital structure of the Group is appropriate for meeting these objectives.

13 Pensions and similar obligations

Defined benefit plans

United Kingdom

In the United Kingdom, most employees are covered by either defined benefit or defined contribution pension plans. The vast majority of employees are also covered by the UK government's auto enrolment scheme. There has been minimal 'opt out' by employees. Since 1993, all new entrants join defined contribution plans with all contributions being invested with a financial institution. As the defined benefit schemes are now closed to new entrants, the current service cost under the Projected Unit Method will increase as a percentage of pay as the members of the schemes approach retirement.

There were two defined benefit pension plans in the United Kingdom. These were the Triplex Lloyd Final Salary Plan ("Triplex Plan") and the Doncasters Pension and Life Cover Plan ("Doncasters Plan"). Both schemes were closed to future accrual from 30 September 2016. Both plans were contributory and entitle a retired employee to receive an annual pension payment based on their final salary and service with the company.

On 4 November 2019, the Doncasters Plan merged into the Triplex Plan on a sectionalised merger basis. As a result, the accounting figures for the Doncasters Plan represent the experience within the Doncasters Plan for the 10 month period from 1 January 2019 to 4 November 2019, when the merger took place. The Triplex Plan consolidated disclosure incorporates the Triplex Plan for the year and the experience within the Doncasters Plan for the period post 4 November 2019.

13 Pensions and similar obligations

Defined benefit plans (continued)

United Kingdom (continued)

A notional transfer of assets and liabilities has been included in the accounts to reflect this merger. This transfer of assets and liabilities was calculated using market conditions as at 4 November 2019 (the merger date) and cashflows up to this date. Following the merger a new schedule of contributions was introduced to reflect the merger of the Doncasters Plan into the Triplex Plan.

The IAS 19 accounting liabilities for the UK schemes were calculated using a roll-forward and switch method from the 31 December 2016 actuarial valuation position for the Doncasters Plan (the most recent available) and 5 April 2016 actuarial valuation position for the Triplex Plan. A valuation was undertaken of the Triplex Plan at 5 April 2019 but inclusion of the results of this valuation have been postponed until the 2020 year end. At this point the valuation experience will be included within the allowance for the conversion of the Triplex buy-in policy to a buy-out policy, along with any necessary true-up payment. Due to the presence of the buy-in, this approach is not expected to materially change the overall position.

The ongoing Triplex plan is managed by a board of trustees of which one-third can be member nominated. The plans retain a number of professional advisers in connection with the operation of the plans. The Board of Trustees of the plan is required by law to act in the best interests of the plan participants and are responsible for setting certain policies such as investment and contribution policies.

The plan is exposed to various risks, such as longevity risk, interest rate risk and investment risk. The Trustees have agreed liability driven investment strategies to help mitigate the interest and inflation risks, details of which are set out further below.

The plan invests in two broad types of fund, a matching fund (with the least risk portfolio) and an investment fund (the return seeking portfolio). The Trustees agreed to allocate approximately 40% of the assets in the matching fund with the remaining 60% in the investment fund.

The matching fund is made up mainly of cash deposits and a UK Gilts portfolio. The investment fund consists of a variety of global equity investments, a number of bond instruments, and an asset allocation fund which rotates capital through a variety of asset classes and markets depending on market conditions.

The plan is also subject to inflation and interest rate risks. Swap contracts have been put in place which seeks to remove 90% of these risks to the plan.

During the year, all contributions received by the plan were paid in accordance with the plan rules and at the rates recommended by the actuary, as detailed in the schedule of contributions.

On 10 August 2018, the Triplex Scheme purchased a bulk annuity policy in respect of the liabilities of all members of the scheme. The price paid was in excess of the IAS 19 liabilities, resulting in a reduced surplus over the year.

United States

In the United States, pension benefits are provided to employees by either defined benefit or defined contribution pension plans. The Group operates defined benefit schemes across a number of its sites. Benefits in respect of these plans are based primarily on either years of service and employees' average pay or a stated amount for each year of service. Pension costs are calculated and funded based on annual actuarial estimates, except that funding is subject to limitations under applicable tax regulations.

Plan assets of the US pension plans consist principally of cash, equity securities and fixed income securities.

The Group provides certain health care and life insurance benefits for retired employees in the United States. A substantial proportion of all US employees may become eligible for these benefits upon retirement from the Group. The Group uses accrual accounting for health care and other post-retirement benefits other than pensions. The accumulated post-retirement benefits obligation is determined by application of the terms of health care and life insurance plans, together with relevant actuarial assumptions and health care cost trend rates. The Group has not funded these obligations. The effects of any plan amendments or actuarial gains and losses in excess of defined limits are recognised immediately in the statement of comprehensive income.

During the year to 31 December 2019, annuity policies were purchased for most Speciality Bar Pension retirees. A settlement item has been recognised in the accounts in respect of this. The Speciality Bar Pension Plan subsequently merged into the US Pension Plan in June 2019. The merger has been allowed for in the business combinations item of the disclosures, whereby all liabilities have been transferred from the Speciality Bar Pension Plan to the US Pension Plan. In the US Pension Plan, certain participants received their future pension benefits in the form or a one-off lump sum. So far, 137 participants have taken up this option, and as a result, a settlement item has been recognised in the accounts in respect of these discharged liabilities.

The most recent actuarial valuation of the plans has been rolled forward to the balance sheet date, in line with the requirements of IAS 19, by an independent qualified actuary.

13 Pensions and similar obligations (continued)

Defined benefit plans (continued)

Germany

The Group operates 2 defined benefit pension schemes and during the year to 31 December 2018, parts of these schemes were removed from the Group's balance sheet following the sale of the Fasteners division. These schemes are principally unfunded and pension liabilities are calculated by independent qualified actuaries. One of the pension schemes is an ATZ scheme, which is an early retirement programme offering bonus payments to employees for a reduction in working hours. Over the course of 2019, the German actuary re-measured the liability due under these contracts to take account of plan experience and recorded an actuarial gain of £255,000. Under IAS 19, ATZ contracts are classified as "other long term benefits" and hence the remeasurement amount was recognised in the income statement.

Unfunded liabilities provide less security for members and pose additional risks as liabilities cannot be matched to assets.

Actuarial assumptions

The major assumptions used in valuing the funds at 31 December were:

	UK pension plans		**US pension plans**		**Europe pension plans**		**Other post-employment benefits**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Discount rate	**2.10%**	2.90%	**3.09%**	4.65%	**1.20%**	1.90%	**4.50%**	4.50%
Inflation	**3.05%**	3.25%	**3.00%**	3.00%	**1.50%**	1.75%	**3.00%**	3.00%
Future salary increases	**N/A**	N/A	**3.50%**	3.50%	**2.25%**	2.25%	**N/A**	N/A
Future pensions increases	**1.81%**	1.81%	**N/A**	N/A	**1.50%**	1.75%	**N/A**	N/A
Deferred pension increases	**3.05%**	3.25%	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Healthcare cost trend rate:								
First year – pre-medicare eligible	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**5.50%**	5.50%
– post-medicare eligible	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**5.50%**	5.50%
Ultimate	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**5.50%**	5.50%

Assumptions regarding future mortality rates are based on published statistics and mortality tables. The current life expectancies underlying the values of the liabilities in the defined benefit plans are as follows:

The life expectancy in years of a pensioner retiring at age 65 on the statement of financial position date is as follows:

	UK pension plans		**US pension plans**		**Europe pension plans**		**Other post-employment benefits**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Males	**21.5**	20.7	**20.6**	20.7	**20.3**	20.0	**N/A**	N/A
Females	**23.4**	23.3	**22.6**	22.7	**23.8**	23.6	**N/A**	N/A

The life expectancy in years of a pensioner retiring at age 65, 20 years after the statement of financial position date is as follows:

	UK pension plans		**US pension plans**		**Europe pension plans**		**Other post-employment benefits**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Males	**22.8**	22.2	**19.3**	22.3	**20.5**	22.8	**N/A**	N/A
Females	**24.9**	24.9	**22.0**	24.3	**24.4**	25.8	**N/A**	N/A

13 Pensions and similar obligations (continued)

Defined benefit plans (continued)

Statement of financial position

At 31 December 2019	**Pension plans**				**Other post employment benefits**	
	Triplex £ million	**Doncasters £ million**	**US £ million**	**Europe £ million**	**US £ million**	**Total £ million**
Equities	**-**	**-**	**8.0**	**-**	**-**	**8.0**
Government debt	**65.3**	**-**	**-**	**-**	**-**	**65.3**
Corporate bonds	**7.2**	**-**	**4.8**	**-**	**-**	**12.0**
Inflation rate hedges	**(0.6)**	**-**	**-**	**-**	**-**	**(0.6)**
Interest rate hedges	**2.3**	**-**	**-**	**-**	**-**	**2.3**
Insurance buy-in	**149.6**	**-**	**-**	**-**	**-**	**149.6**
Cash and other	**3.4**	**-**	**0.2**	**0.8**	**-**	**4.4**
Total fair value of assets	**227.2**	**-**	**13.0**	**0.8**	**-**	**241.0**
Defined benefit obligation	**(207.0)**	**-**	**(22.5)**	**(16.0)**	**(1.5)**	**(247.0)**
Pension asset/(liability) in the statement of financial position, before deferred tax	**20.2**	**-**	**(9.5)**	**(15.2)**	**(1.5)**	**(6.0)**

At 31 December 2019, £91.2 million of the fair value of assets were held in quoted investments and £149.8 million was held in unquoted investments.

At 31 December 2018	Pension plans				Other post employment benefits	
	Triplex £ million	Doncasters £ million	US £ million	Europe £ million	US £ million	Total £ million
Equities	-	-	13.3	-	-	13.3
Government debt	12.2	53.6	-	-	-	65.8
Corporate bonds	-	6.9	1.8	-	-	8.7
Inflation rate hedges	-	(0.3)	-	-	-	(0.3)
Interest rate hedges	-	1.0	-	-	-	1.0
Insurance buy-in	130.4	11.0	-	-	-	141.4
Cash and other	2.8	3.6	0.4	0.5	-	7.3
Total fair value of assets	145.4	75.8	15.5	0.5	-	237.2
Defined benefit obligation	(133.5)	(64.0)	(24.5)	(15.0)	(1.4)	(238.4)
Pension asset/(liability) in the statement of financial position, before deferred tax	11.9	11.8	(9.0)	(14.5)	(1.4)	(1.2)

Movement in the fair value of plan assets

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
At beginning of the year	**237.2**	295.8
Employer contributions	**1.6**	1.6
Interest income	**6.9**	7.6
Actuarial gain/(loss)	**16.1**	(52.8)
Administration expenses paid	**(1.8)**	(2.0)
Net benefits paid out	**(15.0)**	(14.0)
Currency exchange movements	**(0.5)**	0.9
Assets extinguished on settlement	**(3.5)**	-
Transferred to disposal group classified as held for sale	**-**	0.1
At end of the year	**241.0**	237.2

13 Pensions and similar obligations (continued)

Defined benefit plans (continued)

Movement in the present value of the defined benefit obligations

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
At beginning of the year	**(238.4)**	(250.0)
Current service cost	**(1.0)**	(1.1)
Settlement of post retirement plan	**-**	(3.2)
Liabilities extinguished on settlement	**4.3**	-
Interest cost	**(6.8)**	(6.4)
Actuarial loss from experience adjustments	**-**	(4.4)
Actuarial gain from changes in demographic assumptions	**4.4**	1.8
Actuarial (loss)/gain from changes in financial assumptions	**(27.3)**	11.8
Net benefits paid out	**16.0**	14.9
Currency exchange movements	**1.8**	(1.8)
At end of the year	**(247.0)**	(238.4)

Income statement

Amounts recognised in the income statement:

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Operating loss		
Defined benefit pension and other benefit plans:		
Current service cost	**0.9**	0.9
Past service cost	**-**	3.2
Administration expenses	**1.9**	2.0
Other	**0.2**	-
Defined contribution plans	**1.2**	1.3
Total operating cost	**4.2**	7.4
Settlement of post retirement plan	**(0.8)**	-
Finance costs:		
Net interest on net defined benefit asset	**(0.1)**	(1.2)
Total income statement charge	**3.3**	6.2

Split of defined benefit obligations

The defined benefit obligation can be allocated to the plans' participants as follows:

At 31 December 2019	**Pension plans and other post employment benefits**			
	Triplex £ million	**US £ million**	**Europe £ million**	**Total £ million**
Active plan participants	**-**	**2.1**	**6.5**	**8.6**
Deferred plan participants	**103.4**	**5.2**	**2.4**	**111.0**
Retirees	**103.6**	**16.7**	**7.1**	**127.4**
Defined benefit obligation	**207.0**	**24.0**	**16.0**	**247.0**
Overall duration of the plans (years)	**13**	**9**	**12**	

13 Pensions and similar obligations (continued)

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased or decreased as a result of a change in the respective assumptions.

	Increase/(decrease) in defined benefit obligation	
	0.5% increase £ million	0.5% Decrease £ million
Discount rate	**(16.8)**	**18.6**
Inflation	**8.8**	**(8.5)**
Salaries	**-**	**-**

	1 year increase £ million	1 year Decrease £ million
Life expectancy	**11.9**	**(9.3)**

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take into account the full distribution of cash flows expected under the plans, it does provide an approximation to the sensitivity of the assumptions shown.

14 Deferred tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off assets against liabilities and when they relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	Liabilities					
	Other £ million	Accelerated tax depreciation £ million	Intangible assets £ million	Property, plant & equipment £ million	Pensions £ million	Total £ million
At 1 January 2018	-	4.5	27.8	4.9	12.2	49.4
Charged/(credited) to the income statement:						
Continuing operations	0.3	0.3	(10.2)	(1.4)	(0.6)	(11.6)
Discontinued operations	-	(0.9)	(3.8)	0.6	-	(4.1)
Charged to the statement of comprehensive income and expense	-	-	-	-	(7.5)	(7.5)
Currency exchange movements	-	0.2	1.0	0.3	-	1.5
Transferred to disposal group classified as held for sale	-	0.9	3.8	(0.6)	-	4.1
At 1 January 2019	**0.3**	**5.0**	**18.6**	**3.8**	**4.1**	**31.8**
(Credited)/charged to the income statement:						
Continuing operations	**(0.3)**	**(3.3)**	**(2.9)**	**(0.2)**	**(0.2)**	**(6.9)**
Discontinued operations	**-**	**1.0**	**-**	**(1.6)**	**-**	**(0.6)**
Charged to the statement of comprehensive income and expense	**-**	**-**	**-**	**-**	**(0.5)**	**(0.5)**
Currency exchange movements	**-**	**-**	**(1.0)**	**(1.6)**	**-**	**(2.6)**
Transferred to disposal group classified as held for sale	**-**	**(0.8)**	**(3.5)**	**1.0**	**-**	**(3.3)**
At 31 December 2019	**-**	**1.9**	**11.2**	**1.4**	**3.4**	**17.9**

14 Deferred tax (continued)

	Assets					
	Fixed asset timing differences £ million	**Tax losses £ million**	**Provisions £ million**	**Pensions £ million**	**Other £ million**	**Total £ million**
At 1 January 2018	7.9	6.2	4.5	4.6	-	23.2
(Charged)/credited to the income statement						
Continuing operations	1.3	4.2	(0.4)	-	8.2	13.3
Discontinued operations	(0.2)	0.4	0.3	-	1.8	2.3
Charged to the statement of comprehensive income and expense	-	-	-	(0.3)	-	(0.3)
Currency exchange movements	-	0.4	0.2	0.3	0.6	1.5
Transferred to disposal group classified as held for sale	-	(0.4)	(0.3)	-	(1.8)	(2.5)
At 1 January 2019	**9.0**	**10.8**	**4.3**	**4.6**	**8.8**	**37.5**
(Charged)/credited to the income statement:						
Continuing operations	**(2.3)**	**(8.7)**	**(3.0)**	**(2.4)**	**(6.2)**	**(22.6)**
Discontinued operations	**(6.2)**	**(0.4)**	**(0.5)**	**(0.1)**	**(4.1)**	**(11.3)**
Charged to the statement of comprehensive income and expense	**-**	**-**	**-**	**1.1**	**-**	**1.1**
Currency exchange movements	**-**	**(0.8)**	**(0.1)**	**(0.3)**	**-**	**(1.2)**
Transferred to disposal group classified as held for sale	**0.8**	**0.4**	**0.1**	**0.1**	**4.1**	**5.5**
At 31 December 2019	**1.3**	**1.3**	**0.8**	**3.0**	**2.6**	**9.0**

The movement in the net deferred tax position was as follows:

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Net (asset)/liability at beginning of the year	**(5.7)**	26.2
Charged/(credited) to the income statement (continuing operations)	**15.7**	(24.9)
Charged/(credited) to the income statement (discontinued operations)	**10.7**	(6.4)
Charged to the statement of comprehensive income and expense	**(1.6)**	(7.2)
Currency exchange movements	**(1.4)**	-
Transferred to disposal group classified as held for sale	**(8.8)**	6.6
Net liability/(asset) at end of the year	**8.9**	(5.7)

The Group has not recognised deferred income tax assets of £84.8 million at 31 December 2019 (2018: £40.0 million). Of this amount, £31.0 million (2018: £22.7 million) was in respect of losses amounting to £151.7 million (2018: £131.6 million) that can be carried forward against future taxable income. These are predominantly US Federal losses, UK capital losses and non-trade loan relationship debits carried forward.

In addition, there was £17.3 million (2018: £12.3 million) in respect of excess interest deductions together with £20.8 million (2018: £3.2 million) of intangibles that can be carried forward against future taxable income.

The assets have not been recognised due to either the probability of taxable profits being available against which the deductible temporary differences can be utilised in the relevant territory or the expectation that the assets will be lost due to tax legislation on the change of control which resulted from the financial restructuring (page 3).

15 Inventories

	2019 £ million	2018 £ million
Raw materials and consumables	**29.1**	36.5
Work in progress	**26.1**	44.4
Finished goods	**14.2**	13.7
	69.4	94.6

Inventories are stated after provisions of £14.8 million (2018: £13.0 million).

The replacement cost of inventories is not materially different from the costs stated above.

The 2018 comparative has been adjusted from the comparable amount in the former consolidating company's prior year financial statements. Details of this adjustment are included in note 1.

16 Cash and cash equivalents

	2019 £ million	2018 £ million
Cash at bank and in hand	**59.0**	33.0
Total cash and cash equivalents	**59.0**	33.0

At 31 December 2019 cash and cash equivalents included £33.3 million held in escrow in respect of business disposals (page 2). This amount included £33.0m which required formal consent of the restructuring director based on the reason for use prior to release and £0.3 million of cash collateral. At 31 December 2018 cash and cash equivalents included £2.8 million deposited with one of the Group's banks which was considered restricted cash as these funds were committed to be applied to the Group's revolving credit facility the following day as part of the standard cash sweep arrangements that were in place at the time.

17 Borrowings

(a) Summary of borrowings

The carrying value of borrowings is as follows:	2019 £ million	2018 £ million
Bank borrowings	**553.5**	610.9
Other loans	**0.6**	0.9
Total borrowings	**554.1**	611.8
Current portion	**553.5**	7.5
Non-current portion	**0.6**	604.3

The maturity of non-current borrowings is as follows:	2019 £ million	2018 £ million
Between one and two years	**-**	607.1
Between two and three years	**0.6**	-
Between three and four years	**-**	1.0
Debt issue costs	**-**	(3.8)
	0.6	604.3

17 Borrowings (continued)

(a) Summary of borrowings (continued)

The Group also had undrawn committed floating rate borrowing facilities with the following maturity:	**2019 £ million**	2018 £ million
Between one and two years	**-**	33.9

The floating rate borrowing facilities were fully paid down and cancelled during the year ending 31 December 2019.

(b) Currency analysis of borrowings

Currency	**Category**	**Floating rate £ million**	**Fixed rate £ million**	**2019 Total £ million**	2018 Total £ million
Sterling	1st lien term loan	**105.6**	**-**	**105.6**	105.9
US$	1st lien term loan	**374.0**	**-**	**374.0**	390.0
US$	2nd lien term loan	**73.9**	**-**	**73.9**	76.5
Multi-currency	Revolving credit facility	**-**	**-**	**-**	38.5
US$	Other loans	**-**	**0.6**	**0.6**	0.9
		553.5	**0.6**	**554.1**	611.8

18 Provisions

Movements during 2019	**Claims, settlements and associated costs £ million**	**Other provisions £ million**	**Total £ million**
At 31 December 2018	**0.5**	**1.2**	**1.7**
Change in accounting policy	-	0.6	**0.6**
At 1 January 2019	0.5	1.8	**2.3**
Charged to the income statement	0.6	0.6	**1.2**
Currency exchange movements	-	(0.1)	**(0.1)**
Utilised	(0.1)	(0.8)	**(0.9)**
At 31 December 2019	**1.0**	**1.5**	**2.5**

Provisions are based on information currently available, however it is inherent in the nature of the business that ultimate liabilities may be greater than or less than the amounts provided.

Claims, settlements and associated costs relates to various claims made against the group by customers and other parties. They have varying expected utilisations dates and will be largely utilised within one year. The amount provided for customer claims at 1 January 2019 was £0.5 million, increasing to £0.7 million at 31 December 2019. Claims can be made for a variety of reasons depending on the nature of the product and the customer agreement. A provision of £0.3 million was created during the year in respect of health and safety claims.

Other provisions includes amounts set aside for restructuring activities actioned by the Group and dilapidation costs in respect of leased assets. The amount provided in respect of restructuring activities was £1.2 million at 1 January 2019, decreasing to £1.0 million at 31 December 2019, which will be largely utilised within one year. The change in accounting policy amount of £0.6 million relates to the adoption of IFRS 16 “Leases” (see note 1) and relates to dilapidation provisions in respect of properties that were previously treated as being under operating leases.

19 Trade and other payables

	2019 £ million	2018 £ million
Trade payables	**34.3**	51.0
Amounts owed to parent undertakings	**1,122.4**	1,026.3
Accruals and deferred income	**19.1**	27.9
Social security and sundry taxes	**1.1**	1.8
Other payables	**17.8**	1.0
	1,194.7	1,108.0
Current portion	**1,193.6**	1,106.2
Non-current portion	**1.1**	1.8
	1,194.7	1,108.0

Amounts owed to parent undertakings of £800.0 million (£744.0 million) bears interest at 7.0% (2018: 6.6%), £89.4 million (2018: £79.9 million) bears interest at 12.0% (2018: 12.0%) and £223.8 million (2018: £189.4 million) bears interest at 15.5% (2018: 15.5%). The remaining balance is interest free. All amounts are unsecured and repayable on demand. Amounts owed to parent undertakings were waived following the financial restructuring in March 2020 (page 3).

Deferred income includes government grants received for property, plant and equipment amounting to £1.4 million (2018: £2.1 million). These are released to the income statement over the estimated useful life of the assets concerned. £0.5 million of the balance as at 31 December 2018 has been transferred to the disposal group and formed part of the net assets sold during 2019 (note 25).

The other payable amount at 31 December 2019 of £17.8 million relates to interest payable. As part of the financial restructuring (page 3) this amount was extinguished and not settled.

The fair value of trade and other payables approximate book value due to their short maturities.

20 Lease liabilities

	2019 £ million	2018 £ million
Maturity analysis:		
Within one year	**1.4**	0.1
Within two to five years	**3.8**	0.1
After more than five years	**0.7**	-
Total lease liabilities	**5.9**	0.2

The group leases various offices, vehicles and machinery. Rental contracts are between 1 and 9 years and may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease arrangements do not impose any covenants other than the security interests in the leased assets.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The exemption for short-term (i.e. lease contracts less than one year) and low value (i.e. leases of which the underlying asset is less than $5,000) leases, whereby these leases will be expensed in the consolidated income statement on a straight-line basis over the lease term; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The value of the recognised lease liability is sensitive to the applied discount rate, which is the incremental borrowing rate. The discount rates used reflect generally available market rates for hire purchase and other secured asset financing, adjusted to reflect the risk profile of the Group and are in the range 5.053% to 7.803%. If the discount rate applied was 0.5% higher, the lease liability would be £0.1 million lower.

In the year to 31 December 2019 interest expense on leases in the year to 31 December 2019 was £0.5 million (note 6) and the expense relating to short term and low value leases was £0.1 million (note 4). Total cash outflow in respect of leases in the continuing group was £1.8 million during the year to 31 December 2019.

20 Lease liabilities (continued)

A reconciliation of the prior year operating lease commitments to the opening lease liability is shown below:

	£ million
Operating lease liabilities at 31 December 2018	**12.6**
Operating lease liabilities relating to discontinued operations	**(1.2)**
Operating lease liabilities at 31 December 2018 in respect of continuing operations	**11.4**
Contracts to which the short-term and low value exemptions have been applied	(0.1)
Discount adjustment using incremental borrowing rate at 1 January 2019	(3.0)
Finance lease liabilities recognised at 31 December 2018	0.2
Finance lease liabilities relating to businesses included in disposal groups	(0.2)
Lease liability recognised as 1 January 2019	**8.3**

The lease liability recognised at 1 January 2019 reflects £8.3 million in respect of right-of-use assets (note 1).

21 Called up share capital

	Number of shares	Ordinary shares £000
At 31 December 2018 and 31 December 2019	**3,000,000**	**30**

Share capital at 31 December 2018 and 31 December 2019 is comprised of 3,000,000 ordinary shares of 1 pence each which are all allotted, called up and fully paid.

22 Notes to the statement of cash flows

Reconciliation of net loss to cash generated from operations:

Cash generated from operations	**Year ended 31 December 2019 £ million**	Year ended 31 December 2018 £ million
Net loss	**(244.3)**	(63.8)
Taxation	**25.6**	(0.4)
Loss/(gain) on sale of division after tax	**7.5**	(173.1)
Net finance costs	**149.4**	136.2
Depreciation of property, plant and equipment	**16.5**	23.6
Impairment of property, plant and equipment	**25.8**	2.8
(Profit)/loss on sale of property, plant and equipment	**(0.3)**	0.8
Amortisation of intangible assets	**18.5**	25.2
Impairment of goodwill and other intangible assets	**21.4**	25.5
Amortisation of Government grants	**(0.2)**	(0.3)
Reported EBITDA after exceptional items	**19.9**	(23.5)
Inventories	**(7.4)**	(20.1)
Trade and other receivables	**(11.4)**	47.5
Trade, other payables and provisions	**-**	(19.7)
Net changes in working capital	**(18.8)**	7.7
Long-term incentive plans	**-**	0.2
Pension and similar obligations less payments	**0.2**	0.4
Unrealised foreign exchange (gain)/loss on derivative financial instruments	**(1.1)**	1.7
Settlement of retirement benefits	**(0.8)**	0.2
Cash absorbed by operations	**(0.6)**	(13.3)

The cash flows of pension funds (other than contributions and other direct payments made by the Group in respect of pensions and similar obligations) are not included in the Group consolidated statement of cash flows.

22 Notes to the statement of cash flows (continued)

Reconciliation of net cash flow to movement in net debt:

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Net increase in cash and cash equivalents	**26.7**	11.8
Effect of foreign exchange	**(0.7)**	1.4
Net cash movement in borrowings	**42.5**	227.8
Change in net debt resulting from cash flows	**68.5**	241.0
Non-cash movements in debt*	**(3.2)**	(4.4)
Finance leases	**-**	3.4
Currency exchange movements	**18.4**	(37.4)
Movement in net debt	**83.7**	202.6
Net debt at 1 January	**(578.8)**	(781.4)
Net debt at 31 December	**(495.1)**	(578.8)

*Non-cash movements in debt comprise the amortisation of debt issue costs and interest charged during the year which is settled only on repayment of the debt.

Analysis of net debt:

		2019 £ million	2018 £ million
Cash and cash equivalents		**59.0**	33.0
Bank debt redeemable			
	- in 2018	**-**	(7.6)
	- in 2019	**(554.1)**	(607.1)
	- in 2020	**-**	-
	- unamortised debt issue costs	**0.6**	3.8
Net bank debt		**(494.5)**	(577.9)
Other loans	- in 2022	**(0.6)**	(0.9)
Net debt		**(495.1)**	(578.8)

23 Commitments

	2019 £ million	2018 £ million
Future committed capital expenditure not provided in the accounts	**2.5**	3.6

	2019 £ million	2018 £ million
Amounts due in:		
Less than one year	**-**	1.3
Between two and five years	**-**	7.1
More than five years	**-**	4.2
Operating lease commitments	**-**	12.6

During the year ended 31 December 2019, the Group adopted IFRS 16 “Leases” are described in note 1 and for the year ended 31 December 2019 commitments in respect of leases previously classified as operating leases are included in note 20.

24 Related party transactions

At 31 December 2018 and 31 December 2019, Dubai International Capital LLC, through its subsidiary DICPE L.P. (together “DIC”), controlled 51.0% and current and former management (including directors and the Employee Benefit Trust) controlled 49.0% of the share capital of the Group through the ultimate parent company Doncasters Group Limited and the immediate parent Dundee Holdco 2 Limited.

As described in the Strategic Report on page 3, as part of the financial restructuring the immediate parent company, Dundee Holdco Limited, was placed in the hands of Administrators, and the ultimate parent company, Doncasters Group Limited, remains under the ownership of DIC.

Related party transactions have been recognised where parties were related under the former group structure.

Related party transactions during the year consisted of monitoring fees and finance costs of borrowings.

Within the income statement are the following related party transactions:

	Year ended 31 December 2019 £ million	Year ended 31 December 2018 £ million
Monitoring and other fees (included within administration expenses in the year to 31 December 2018 and exceptional items in the year to 31 December 2019)		
Dubai International Capital LLC and its subsidiaries	**0.6**	0.5
Finance costs (including unwinding of discount)		
Doncasters Group Limited and its subsidiary	**(96.0)**	(84.6)

Balances with related parties were as follows:

	2019 £ million	2018 £ million
Trade and other payables		
Amounts owed to Doncasters Group Limited and its subsidiary	**1,122.4**	1,026.3

Amounts owed to Doncasters Group Limited and its subsidiary were waived following the financial restructuring in March 2020 (page 3).

Amounts receivable from Doncasters Group Limited and its subsidiary of £61.7 million (2018: £61.7 million) have been fully provided with the charge recognised through the income statement (note 5).

Transactions with the Group’s pension schemes which are considered to be related parties are disclosed in note 13.

25 Non-current assets and liabilities held for sale and discontinued operations

In the year to 31 December 2018, the assets and liabilities related to the US Fabrications and UK Fabrications divisions and the Nelson automotive stud and equipment business unit were presented as held for sale. The sale of the US Fabrications division completed on 10 January 2019 and the sale of the UK Fabrications division completed on 15 November 2019. The Nelson automotive stud and equipment business unit was still considered to be held for sale at 31 December 2019 and has been renamed Ivostud.

In addition, in the year to 31 December 2019, the assets and liabilities related to the Chard and Storms Forge business units have been presented as held for sale.

During 2020, following a change of board and a review of the strategy, the sale processes were terminated (see note 27).

(a) Assets of disposal groups held for sale

	2019 £ million	2018 £ million
Goodwill	**-**	25.7
Other intangible assets	**0.5**	11.6
Property, plant and equipment	**4.5**	27.4
Financial assets at fair value	**-**	-
Inventories	**7.2**	27.3
Trade receivables	**7.4**	30.1
Deferred tax assets	**-**	6.6
	19.6	128.7

(b) Liabilities of disposal groups held for sale

	2019 £ million	2018 £ million
Pension liability for scheme obligations	**0.6**	0.6
Trade and other payables	**4.5**	14.0
Borrowings	**2.1**	4.0
Current tax liabilities	**4.2**	2.2
Deferred tax liabilities	**0.2**	-
Provisions	**1.0**	-
	12.6	20.8

The assets and liabilities held for sale are transferred at the net book value which the Group held these at prior to the transfer.

At 31 December 2019, the carrying value of the Ivostud, Chard and Storms Forge business units presented as held for sale was assessed. This identified the carrying values were in excess of the net realisable value and resulted in impairments of £0.7 million in respect of intangible assets and £10.9 million in respect of property, plant and equipment being recognised (note 25(f)).

At 31 December 2018, the carrying value of a US Fabrications site was assessed, resulting in an impairment of £18.2 million being recognised in respect of intangible assets and £2.8 million in respect of property, plant and equipment. The sale of this site completed on 10 January 2019 for consideration of $5m in line with the impaired carrying value.

In addition, an impairment charge of £7.3 million was recognised following the Directors' impairment review of the Chard business unit based on market views. The anticipated consideration for the UK Fabrications and Nelson automotive stud and equipment businesses was in excess of the carrying values, meaning no values were required to be impaired.

25 Non-current assets and liabilities held for sale and discontinued operations (continued)

(c) Analysis of the results of discontinued operations

Discontinued operations	Year ended 31 December 2019 Before Exceptional items £ million	Exceptional items £ million	Total £ million	Year ended 31 December 2018 Before Exceptional items £ million	Exceptional items £ million	Total £ million
Revenue	**188.3**	**-**	**188.3**	280.0	-	280.0
EBITDA	**9.8**	**-**	**9.8**	28.2	(6.2)	22.0
Depreciation and impairments of property, plant and equipment	**-**	**(10.9)**	**(10.9)**	(9.2)	(2.8)	(12.0)
Amortisation and impairments of intangible assets	**-**	**(0.7)**	**(0.7)**	(4.2)	(25.5)	(29.7)
Profit/(loss) on sale of property, plant and equipment	**0.3**	**-**	**0.3**	(0.6)	-	(0.6)
Operating profit/(loss)	**10.1**	**(11.6)**	**(1.5)**	14.2	(34.5)	(20.3)
Finance costs	**(0.6)**	**-**	**(0.6)**	(0.6)	-	(0.6)
Profit/(loss) before taxation	**9.5**	**(11.6)**	**(2.1)**	13.6	(34.5)	(20.9)
Taxation	**(9.9)**	**(0.2)**	**(10.1)**	(5.8)	2.0	(3.8)
(Loss)/profit after taxation of discontinued operations	**(0.4)**	**(11.8)**	**(12.2)**	7.8	(32.5)	(24.7)
(Loss)/gain on sale of division after taxation	**-**	**(7.5)**	**(7.5)**	-	173.1	173.1
(Loss)/profit for the year from discontinued operations	**(0.4)**	**(19.3)**	**(19.7)**	7.8	140.6	148.4

The impairment charges of £10.9 million (2018: £2.8 million) in respect of property, plant and equipment and £0.7 million (2018: £25.5 million) in respect of intangible assets are detailed in note 25(b).

(d) (Loss)/gain on sale of division after taxation

	2019 £ million	2018 £ million
Consideration received – cash	**147.5**	320.4
Costs of selling	**(5.5)**	(10.0)
Gross cash receipts from sales of group companies after costs of selling	**142.0**	310.4
Consideration receivable	**17.0**	0.4
Carrying value of net assets sold	**(180.9)**	(166.9)
Reclassification of foreign currency translation reserve	**14.4**	31.4
Income tax expense	**-**	(2.2)
(Loss)/gain on sale of division after taxation	**(7.5)**	173.1

In the year ending 31 December 2019, the carrying value of net assets sold comprised: intangible assets £60.6 million; property, plant and equipment £59.2 million; inventory £49.9 million; trade and other receivables £47.8 million; cash £4.1 million; trade and other payables £39.1 million; and deferred tax liabilities £1.6 million.

25 Non-current assets and liabilities held for sale and discontinued operations (continued)

(e) Cash flow

	2019 £ million	2018 £ million
Operating cash flows	**8.5**	(4.8)
Investing cash flows	**125.9**	293.6
Financing cash flows	**(2.0)**	0.5
	132.4	289.3

(f) Exceptional items

Exceptional items included within operating profit/(loss) are categorised as follows:	**2019 £ million**	2018 £ million
Cost of sales		
Redundancy and other reorganisation costs	**1.4**	0.1
Claims, settlements, litigation costs and product write downs	**(1.6)**	5.8
Impairment of intangible assets	**0.7**	25.5
Impairment of property, plant and equipment	**10.9**	2.8
Other	**-**	0.3
Administrative expenses		
Professional fees incurred on divestment activity	**0.3**	-
Business disruption	**(0.1)**	-
	11.6	34.5

Redundancy costs of £1.4 million (2018: £0.1 million) relate to reorganisations at business units held for sale in advance of disposal.

In 2019, claims, settlements and litigation costs include a credit in respect of an insurance receipt relating to a fire at a facility of £2.0 million and a cost of £0.4 million in respect of a claim against a supplier. In 2018 costs of £5.8 million were recognised relating to customer claims associated with contractual terms of specific long-term agreements, including inventory write down as the Group exited certain lower margin business.

Impairment charges of £0.7 million (2018: £25.5 million) in respect of intangible fixed assets and £10.9 million (2018: £2.8 million) in respect of property, plant and equipment were recognised to write down of the carrying value of disposal groups to their net realisable values.

Other costs of £0.3 million in 2018 principally relate to sundry costs associated with the discontinuation of the businesses.

In 2019, £0.3 million of costs were incurred in respect of divestment activity (page 2) and a credit of £0.1 million was recognised relating to insurance claim monies received against a business interruption event in 2017.

Tax has been provided on exceptional items, where required, at the relevant tax rate resulting in a tax charge of £0.2 million (2018: credit of £2.0 million).

26 Parent undertaking and ultimate controlling party

At 31 December 2019 and 31 December 2018, the immediate parent undertaking of Dundee Pikco Limited was Dundee Holdco 2 Limited, Repton House, Bretby Business Park, Ashby Road, Burton-on-Trent, Staffordshire, DE15 0YZ.

As at 31 December 2019 and 31 December 2018, the ultimate parent undertaking and controlling party was Dubai Holding LLC, Emirates Towers, 49th Floor, Sheikh Zayed Road, P.O. Box 66000, Dubai, United Arab Emirates. For the year ended 31 December 2019, Dundee Pikco Limited was the smallest and largest undertaking consolidating the Group. For the year ended 31 December 2018, the smallest and largest undertaking consolidating the Group was Doncasters Group Limited.

On 6 March 2020, the ownership of the Group changed as explained in note 27. From that date the immediate parent undertaking is Alloy Parent Limited and the ultimate parent undertaking is Alloy Topco Limited. Both Alloy Parent Limited and Alloy Topco Limited are registered in Jersey. There is no ultimate controlling party following the restructuring.

27 Post balance sheet events

Financial restructuring

The Group was majority owned by Dubai International Capital LLC and its subsidiaries ("DIC") from May 2006 until 6 March 2020. On this date a financial restructuring of the Group was completed by way of a Scheme of Arrangement sanctioned by the English Courts (the "Scheme"). Full details on the financial restructuring are included in the Strategic Report. As part of this scheme amounts owed to parent undertakings were waived (see note 19).

Covid-19 pandemic

As at 31 December 2019, the spread of Covid-19 was largely restricted to parts of China. Indeed it was not until 29 January 2020 that British Airways suspended all flights to and from mainland China due to the ongoing Covid-19 threat and then on 30 January, the spread of the novel Coronavirus (Covid-19) was declared a public health emergency by the World Health Organisation. Consequently, Covid-19 did not materially impact the Group in the year ended 31 December 2019 and it did not reach the level of a pandemic, with associated impact on air travel and movement of people, until late-January 2020. As a result, the Board has concluded to treat Covid-19 as a non-adjusting post balance sheet event, in line with IAS10 on the basis that it had not occurred as a pandemic during the financial year.

Since January 2020 however, there has been a rapid increase in the number of Covid-19 cases which has severely impacted many local economies around the globe. Measures have been taken to contain the spread of the virus, including travel bans, quarantines and social distancing, and closures of non-essential services have triggered significant disruptions to business worldwide, resulting in an economic slowdown. The duration and impact, as well as the effectiveness of governmental and central bank responses, remains unclear.

Covid-19 has affected the market segments that the Group predominantly serves in different ways. Commercial aerospace has been significantly affected by an unprecedented fall in passenger air travel following the lockdowns and travel restrictions imposed by governments across the globe. The recovery of this sector is expected to take a number of years and the speed of recovery will be affected by a number of factors including, for example, the availability of effective Covid-19 vaccines. The defence segment of the market however has remained resilient. The automotive sector was also hit by productions shut-downs amongst major car manufacturers in Q1 2020 and 2020 sector performance is expected to be well below 2019. However this sector is expected to recover much quicker than aerospace given the relatively short lead times in that market, for example lead times for the Group's Turbochargers businesses can typically be as little as two weeks. The industrial gas turbine market remains relatively robust reflecting the long-term nature of these assets and the Group's products predominantly serving a repair and upgrade market and we expect a modest revenue reduction in 2020 to be followed by low level growth in 2021.

The extent of Covid-19 has impacted our people in 2020 and the Group has looked to protect its staff and their livelihoods by taking Covid-19 preventative steps at all our sites to operate safely in the light of social distancing requirements; enabling staff to work at home where possible; and undertaking a number of site shutdowns in 2020, enabling us to balance our levels of manufacturing capacity with the changing levels of demand from our customers. We have also taken advantage of the various furlough, work-share and short-time working schemes offered by the national and local governments in the countries where our businesses operate, principally UK, US and Germany. Unfortunately the global economic downturn has also meant it has been necessary to make a number of the Group's workforce redundant in 2020. These steps, combined with the strengthened balance sheet following the restructuring described above, have enabled the Group to be optimally positioned to take advantage of the anticipated recoveries in its markets, as and when they arise.

The outlook remains highly uncertain in the face of Covid-19, particularly around the level of travel restrictions and the speed and shape of economic recovery in the markets the Group serves. The Board continues to monitor the impact of Covid-19 on the Group's liquidity and, since April 2020, has reviewed the Group's short-term (13 week) cash flow forecast on a weekly basis.

The Directors have considered the potential financial impact of the Covid-19 pandemic on the Group's assets and liabilities. The global health crisis has impacted the geographies and sectors in which the Group's businesses operate, but action has been taken, through cost savings and other measures, to mitigate some of the downside impact. In addition, some of the businesses have seen a strengthening of EBITDA and cash generation since March 2020 and are forecast to continue to achieve growth. The Group has assessed Covid-19 as a non-adjusting post balance sheet event and are satisfied that no further impairments are required in the carrying values for December 2019. At this time there are no clear quantifiable impairments due to Covid-19 that have been confirmed that should be disclosed within these accounts and the Directors will continue to assess carrying values in future periods based on the latest estimates and in line with the requirements of the Group's accounting policies.

Further information on the impact of Covid-19, particularly in the context of the going concern review, is included in the Report of the Directors on page 11.

Discontinuance of sale process

As described in note 25, the assets and liabilities related to the Chard, Storms Forge and Ivostud business units were presented as held for sale as at 31 December 2019. Following the change of directors and a review of future strategy the ongoing sales processes were terminated during 2020.

Capital raise programme

In November 2020, the new ultimate parent company, Alloy Topco Limited (note 26) launched a capital raise programme with its shareholders to increase investment across its activities. The capital raise was successful and significantly oversubscribed with the proceeds received in December 2020, which the Directors intend to use principally to fund a major capital programme to retool the Group's businesses, including IT systems.

Company financial statements

Balance sheet

at 31 December 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Investments	3	**-**	-
Current assets			
Debtors – receivable within one year	4	**252,287**	1,592
Debtors – receivable after one year	4	**107**	240,773
		252,394	242,365
Creditors – amounts falling due within one year	5	**(847,552)**	(215,789)
Net current (liabilities)/assets		**(595,158)**	26,576
Total assets less current liabilities		**(595,158)**	26,576
Creditors – amounts falling due after more than one year	6	**-**	(594,270)
Net liabilities		**(595,158)**	(567,694)
Capital and reserves			
Called up share capital	7	**30**	30
Profit and loss account brought forward		**(567,724)**	(440,882)
Loss for the year		**(27,464)**	(126,842)
Total shareholders' deficit		**(595,158)**	(567,694)

The financial statements on pages 67 to 74 were approved by the Board of directors on 28 January 2021 and signed on its behalf by:

M Quinn, Chief Executive Officer

S Martle, Chief Financial Officer

Company financial statements

Statement of changes in equity

for the year ended 31 December 2019

	Share capital £000	Profit and loss account £000	Total £000
Balance at 1 January 2019	**30**	**(567,724)**	**(567,694)**
Loss for the year	-	(27,464)	(27,464)
Balance at 31 December 2019	**30**	**(595,188)**	**(595,158)**

for the year ended 31 December 2018

	Share capital £000	Profit and loss account £000	Total £000
Balance at 1 January 2018	30	(440,882)	(440,852)
Loss for the year	-	(126,842)	(126,842)
Balance at 31 December 2018	30	(567,724)	(567,694)

There were no items of other comprehensive income or expense for the years ended 31 December 2019 and 31 December 2018.

Notes to the Company financial statements

1 Accounting policies

Basis of preparation of the financial statements

The financial statements are prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The Board has reviewed the accounting policies adopted in the financial statements and consider them to be the most appropriate for the Company.

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

The principle accounting policies are set out below and have been applied consistently to all years presented.

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

The going concern assessment of the Company is dependent on the going concern assessment of the Group. As described on page 3 of the consolidated accounts, the Group underwent a financial restructuring which completed on 6 March 2020.

The Directors have continued to adopt the going concern basis in preparing the Dundee Pikco Limited consolidated accounts after assessing the principal risks faced by the Group and having considered the impact of a severe but plausible downside scenario.

Following the financial restructuring in March 2020 (page 3), the Group has committed debt facilities of approximately £211 million as at 31 December 2020, comprising gross Senior Facilities Agreement ("SFA") debt which expires in March 2024, and has no substantial repayments until that date, and which is subject to annual interest at LIBOR plus a margin. The Group also has an asset-backed lending ("ABL") facility of up to £70 million to provide ongoing liquidity. This facility expires in March 2023 and is subject to annual interest at LIBOR plus a margin. At the end of December 2020, following an additional capital raise the Group held approximately £17m of net cash on the ABL facility and held approximately £12 million of further cash, giving an adjusted total net debt position of approximately £182 million within the operating group. This resulted in approximately £75m of available cash and facilities headroom as at 31 December 2020.

The directors have prepared forecasts and considered headroom against these facilities. The directors have considered a downside scenario which reflects the potential recurrence of previous trading challenges experienced by the group, potential volatility in our operations, volumes and margins, the impact of continued market pressures and operational challenges due to the ongoing disruption caused by the Covid-19 pandemic, and the potential for unforeseeable costs resulting from the Brexit trade deal. The Directors determined a severe but plausible downside scenario would be sales falling 25% below budgeted levels from January 2021, which would take total Group sales to levels below the Covid-19 impacted levels experienced in 2020. In applying this sensitivity the directors have considered key assumptions, including the impact of sales on margin and cash, the likely impact on working capital and our continued production levels, and the resulting impact on available facilities, specifically our ABL. This scenario would also indicate a possible covenant breach in 2022, before the impact mitigating actions and the full impact of potential working capital benefits that may arise when trading is in decline. Any potential covenant breach falls outside the 12 month period contemplated by this going concern review and, if required, the Directors would seek to renegotiate covenant terms with lenders to avoid a covenant breach.

The Directors believe that the Group is well placed to manage its financing and other business risks satisfactorily and, as explained above and based on current knowledge, have a reasonable expectation that the Group will have adequate resources to continue in operation for at least 12 months from the signing date of these consolidated financial statements. The modelling for the base case and downside scenarios indicates the minimum headroom against committed facilities will exceed £20 million in all plausible scenarios. Therefore the Directors consider it is appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements. Further details are included on page 11.

As permitted by section 408 of the Companies Act 2006 a separate profit and loss account has not been included as part of these Company financial statements. Under FRS 102 the Company is exempt from the requirement to prepare a statement of cash flows as the consolidated statement of cash flows has been published.

As permitted by FRS 102, the Company is not required to disclose transactions with group companies qualifying as related parties.

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

Estimation techniques

Income taxes
In determining the provisions for income tax and deferred tax it is necessary to consider transactions in a small number of key tax jurisdictions for which the ultimate tax determination is uncertain and may depend upon agreement with the relevant tax authorities. To the extent that the final outcome differs from the tax that has been provided, adjustments will be made to income tax and deferred tax provisions held in the period the determination is made. The recognition of deferred tax assets requires certain assumptions to be made regarding the utilisation of tax losses and interest deductions for future periods.

Investments

Investments in subsidiary undertakings are stated at cost, less any provision for diminution in value.

1 Accounting policies (continued)

Foreign Currencies

Transactions in foreign currency are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rate of exchange ruling on the balance sheet date. Exchange differences arising on the retranslation of hedged assets and liabilities are taken to reserves with any unhedged portion charged or credited to the profit and loss account. All other exchange differences are included in the profit and loss account.

Taxation

Current tax is the expected tax payable for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred taxes, where applicable, are provided in full at expected tax rates on differences arising from the recognition of income and expenditure in different periods for tax purposes from those for accounting purposes. Deferred tax assets are recognised to the extent that they are regarded as recoverable.

Financial Instruments

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

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and amounts owed by group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost unless they are part of a fair value hedge accounting relationship; any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Those borrowings that are part of a fair value hedge accounting relationship are also recorded on an amortised cost basis, plus or minus the fair value attributable to the risk being hedged with a corresponding entry in the income statement.

Critical accounting judgement and estimating uncertainty

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity are disclosed below. These estimates and judgements are regularly reviewed and updated as necessary.

Impairment of investments

Investments in subsidiary undertakings are stated at cost, less any provision for diminution in value. Certain inter-company loans are classified as investments and are treated in the same manner. Investments are tested for impairment annually by comparing the value of the investments to the net assets of the subsidiary that the investment is held in. If these net assets are not sufficient then a comparison to the forecast discounted future cash flows of the entity is performed to assess whether this is sufficient to support the level of the asset. In cases where the full amount of the asset is not supported by this forecasted amount then a provision is recorded for the value of the asset that is not supportable.

1 Accounting policies (continued)

Critical accounting judgement and estimating uncertainty (continued)

Recoverability of amounts owed by group undertakings

The recoverability of amounts owed by group undertakings is assessed by comparing the value of the debtor to the net assets of the company which owes the debt. If these net assets are not sufficient then a comparison to the forecast discounted future cash flows of the entity is performed to assess whether this is sufficient to support the level of the asset. In cases where the full amount of the asset is not supported by this forecasted amount then a provision is recorded for the value of the asset that is not supportable.

2 Net operating charges

Auditors' remuneration for the statutory audit of the Company's individual financial statements was £4,000 (2018: £4,000). Other fees paid to the auditors are disclosed in Note 4 to the Group financial statements.

The Directors' remuneration was paid by Doncasters Limited, a subsidiary of Dundee Pikco Limited.

3 Investments

Investments in group undertakings

Cost and net book value	Shares £000	Loans £000	**Total £000**
At 1 January 2019 and 31 December 2019	**-**	**-**	**-**

The investments at the beginning and end of the year include those in the wholly-owned subsidiaries Dundee Holdco 3 Limited and Doncasters US Finance LLC, incorporated in the UK and US respectively, both of which act as holding companies for other subsidiaries within the Dundee Pikco Limited group.

A full list of subsidiaries is included in note 9.

4 Debtors

	2019 £000	2018 £000
Amounts receivable within one year:		
Preference shares in group undertaking	**250,516**	-
Amounts due from group undertakings	**-**	-
Inter-company dividends receivable	**1,771**	1,592
	252,287	1,592
Amounts receivable after one year:		
Preference shares in group undertaking	**-**	240,644
Deferred tax	**107**	129
	107	240,773

During the year to 31 December 2018 the company subscribed to 306,484,004 redeemable preference shares of USD1 each in Dundee Holdco 4 Limited, a subsidiary undertaking. The preference shares accrue interest at 8.325% and are redeemable in 2020.

Amounts due from group undertakings are shown after deduction of a provision of £91.2 million (2018: £88.4 million) as the Directors do not consider the amounts are recoverable. The amounts are unsecured, repayable on demand and bear interest at the average cost of borrowings for the Doncasters Group Limited, being 5.65% at 31 December 2019 (31 December 2018: 5.72%).

5 Creditors – amounts falling due within one year

	2019 £000	2018 £000
Owed to subsidiary undertakings	**811,796**	215,714
Intercompany interest payable	**35,708**	-
Corporation tax	**48**	75
	847,552	215,789

Amounts owed to group undertakings are unsecured and have no fixed repayment date. £154.6 million (2018: £40.0 million) bears interest at 4.825%, £240.2 million (2018: £nil) bears interest at 8.325%), £67.6 million (2018: £nil) bears interest at 10.9%, £70.6 million (2018: £nil) bears interest at 6.2% and £93.0 million (2018: £nil) bears interest at 6.1%. All other amounts are non-interest bearing. They are valued at amortised cost using the effective interest method. Interest is accrued on a monthly basis and is settled every quarter.

6 Creditors – amounts falling due after more than one year

	2019 £000	2018 £000
Owed to subsidiary undertakings – Sterling	**-**	354,443
Intercompany interest payable – US Dollar	**-**	239,827
	-	594,270

In 2018, the Sterling amounts owed to group undertakings included £240.2 million that was unsecured and repayable in 2020. This loan bore interest at 8.235%. The US Dollar amounts owed to group undertakings included £96.7 million that was unsecured and bore interest at the average rate for the Group's US debt, being 6.13% at 31 December 2018. Other amounts were unsecured and were repayable in April 2020. They are listed on the Channel Islands Securities Exchange. The Sterling amounts of £114.2 million bore interest at 4.825% at 31 December 2018. £69.7 million of the US Dollar amount bore interest at 10.71% at 31 December 2018 and £73.5 million bore interest at 5.96%. There are no regular repayments, with the principal to be repaid at the end of the loan.

Loans were valued at amortised cost using the effective interest method. Interest was accrued on a monthly basis, and was settled every quarter.

7 Called up share capital

Full details of the Company's share capital are given in note 21 to the Group financial statements.

8 Guarantees

At 31 December 2018, the Company had given a guarantee in respect of the borrowings of Doncasters Group Limited which amounted to £1,100.9 million. This amount was settled as part of the financial restructuring (see page 3), removing the guarantee.

The Company is a participant in the group banking arrangement under which all surplus cash balances are held as collateral for bank facilities advanced to group members. In addition, the Company has issued an unlimited guarantee to the banks to support these group facilities.

For the year ended 31 December 2019, Dundee Holdco 3 Limited, Dundee Holdco 4 Limited, Clovepark Limited, Doncasters Blaenavon Limited, Doncasters UK Finance Limited, RCG Holdings Limited, Triplex Lloyd Limited and Chard Precision Castings Limited (from incorporation on 29 May 2019 until 31 December 2019 only) were exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of section 479A. As a result, the Group guarantees all outstanding liabilities to which the subsidiary company is subject. The company registration number for Dundee Holdco 3 Limited is 05651578, for Dundee Holdco 4 Limited is 05651583, for Clovepark Limited is 04167062, for Doncasters Blaenavon Limited is 00824457, for Doncasters UK Finance Limited is 08440818, for RCG Holdings Limited is 04166900, for Triplex Lloyd Limited is 00319762 and for Chard Precision Castings Limited is 12023013.

9 Subsidiary undertakings

The registered office of Dundee Pikco Limited is Repton House, Bretby Business Park, Ashby Road, Burton-Upon-Trent, Staffordshire, DE15 0YZ.

The subsidiary undertakings are:

Subsidiary name	Function	Country of incorporation	Registered office address
Ivostud (Tianjin) International Trading Company Limited (1)	Trading company	China	18 Guomao Road, Free Zone, Tianjin
Ivostud GmbH (2)	Trading company	Germany	Flurstrasse 7-19, 58285 Gevelsberg
AVISTUD Inc	Trading company	Canada	Suite 1700 Park Place, 666 Burrand St, Vancouver, BC V6C 2X
Ivostud LLC (3)	Trading company	United States	1209 Orange Street, Wilmington, DE 19801
Ivostud Mexico SA de CV (4)	Trading company	Mexico	Apodaca, Monterrey, Mexico
Ivostud SAS (5)	Trading company	France	8 Rue de l'Angoumois, ZI du Chamin Vert, 95100 Argenteuil
AVISTUD S.r.l.	Trading company	Italy	Via Miraflores 20, Nichelino, (TO) I-10042
Certified Alloy Products Inc	Trading company	United States	2710 Gateway Oaks Drive Suite 150N, Sacramento, CA
Chard Precision Castings Limited (6)	Trading company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Deritend International Limited	Trading company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Doncasters Inc	Trading company	United States	2711 Centerville Road Suite 400, Wilmington, DE
Doncasters Limited	Trading company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Doncasters Precision Castings – Bochum GmbH	Trading company	Germany	Bessemerstrasse 80, 44793 Bochum
Doncasters US Fabrications Inc	Trading company	United States	2711 Centerville Road Suite 400, Wilmington, DE 19801
Erie Bolt Corporation	Trading company	United States	2595 Interstate Drive, Suite 103, Harrisburg, PA
Ross & Catherall Limited	Trading company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Ross & Catherall Superalloys (China) Co Limited	Trading company	China	47 Chuangzhi Road, Kunlun Neighborhood, Liyang, Jiangsu Province
Southern Tool LLC	Trading company	United States	150 South Perry Street, Montgomery, AL
Trucast (Europe) Limited	Trading company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Trucast (North America) LLC	Trading company	United States	2711 Centerville Road Suite 400, Wilmington, DE
Trucast de Mexico SA de CV	Trading company	Mexico	Blvd. Interamerican No. 302, Parque Finsa, 66600 Ciudad Apodaca
Trucast Limited	Trading company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Trucast LLC	Trading company	United States	2711 Centerville Road Suite 400, Wilmington, DE
Clovepark Limited	Holding company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Doncasters Blaenavon Limited	Holding company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Doncasters UK Finance Limited	Holding company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Doncasters US 2 LLC	Holding company	United States	2711 Centerville Road Suite 400, Wilmington, DE
Doncasters US Holdings 2018 Inc	Holding company	USA	1209 Orange Street, Wilmington, DE 19801
Dundee Holdco 4 Limited	Holding company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Dundee Holdco GmbH	Holding company	Germany	Bessemerstrasse 80, 44793 Bochum
RCG Holdings Limited	Holding company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Triplex Lloyd Limited	Holding company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Doncasters US Finance LLC	Financing company	United States	2711 Centerville Road Suite 400, Wilmington, DE
Doncasters US LLC	Financing company	United States	2711 Centerville Road Suite 400, Wilmington, DE
Dundee Holdco 3 Limited	Financing company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Anodic Machining Technologies Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Cranford 1040 Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Cranford 1041 Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Daniel Doncaster & Sons Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Deritend Lloyd Pension Trustees Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Doncasters 1516 Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Doncasters 456 Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Doncasters Ceramics Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Doncasters International Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Doncasters LLC	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Doncasters Middle East Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent

9 Subsidiary undertakings (continued)

Subsidiary name	Function	Country of incorporation	Registered office address
Doncasters Monk Bridge Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Doncasters Pension Trustees Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Doncasters Precision Castings – Deritend Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Doncasters Precision Forgings Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Doncasters Structures Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Doncasters UK Holdings Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Dynamic Casting Company SA de CV	Dormant company	Mexico	Blvd. Interamerican No. 302, Parque Finsa, 66600 Ciudad Apodaca
E. D. H. Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
IEP Structures Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Leatherbay Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Ross Catherall (Holdings) Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Ross Catherall (US Holdings) Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Ross Catherall Castings Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Ross Catherall Group Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Ross Catherall Metals (Holdings) Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Ross Catherall Metals Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Ross Catherall Superalloys Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Sterling International Technology Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Triplex Lloyd Building Products Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Triplex Lloyd Corporate Services Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Triplex Lloyd Nominees Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent
Triplex Lloyd Pensions Management Limited	Dormant company	United Kingdom	Repton House, Bretby Business Park, Burton-Upon-Trent

All are wholly owned indirect subsidiaries other than Dundee Holdco 3 Limited and Doncasters US LLC Finance which are wholly owned direct subsidiaries. All are incorporated in the United Kingdom unless otherwise indicated.

(1) Name changed from AVISTUD (Tianjin) International Trading Company Limited on 1 March 2020.
(2) Name changed from AVISTUD GmbH on 11 February 2020.
(3) Name changed from AVISTUD LLC on 1 March 2020.
(4) Name changed from AVISTUD Mexico SA de CV on 18 February 2020.
(5) Name changed from AVISTUD SAS on 10 February 2020.
(6) Incorporated 29 May 2019.