

FR Aviation Limited

Annual report and financial statements
for the year ended 31 December 2015

Registered number 845310



FR Aviation Limited

Annual report and financial statements for the year ended 31 December 2015

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FR Aviation Limited

Directors' report for the year ended 31 December 2015

The directors have pleasure in submitting their report, together with the strategic report and the audited financial statements of FR Aviation Limited (the Company) for the year ended 31 December 2015. The Company is a private company limited by shares and is registered, incorporated and domiciled in England, number 845310. The address of the registered office of the Company is Brook Road, Wimborne, Dorset BH21 2BJ.

The Company is a wholly owned subsidiary of Cobham plc and trades under the name "Cobham Aviation Services".

Results and dividends

The Company's results for the year are set out in the income statement on page 7 showing a profit for the financial year after tax of £10,265,000 (2014: £5,255,000). At 31 December 2015, the Company had net assets of £42,732,000 (2014: £28,426,000). A review of the Company's business during the year and future developments, together with information on the Company's involvement in research and development, risks and uncertainties, financial risk management and events since the balance sheet date are provided in the strategic report on pages 3 to 4. The Company has a policy of providing timely and relevant information to employees. Employees are provided with regular updates on the financial performance of the business and the factors that affect it. Employees are consulted when making decisions considered likely to impact their employment.

No dividends were paid or proposed during the current year (2014: paid £45,000).

Directors

The following directors held office during the year and up to the date of signing these financial statements:

P Nottage
P Armstrong

The directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report, the strategic 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

FR Aviation Limited

Directors' report for the year ended 31 December 2015 (continued)

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

Going concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the strategic report on pages 3 to 4.

The Company has considerable financial resources together with long-term contracts and trading relationships with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

Employees

The Company is committed to providing its employees with equal opportunities in a workplace free from discrimination.

Working within a rigorous competency framework the Company evaluates candidates according to their skills and abilities, irrespective of age, race, gender, sexual preference, religion or disability. A personal development review (PDR) process standardised across the Group, coupled with development centres, where appropriate, ensure career development and progression is based solely on competency.

With regard to employees who become disabled, the Company takes all reasonable steps to retain them, including retraining to enable them to continue their employment and career development within the Company.

The Company continues to support employee share ownership through participation in the Cobham group ShareSave scheme and the Cobham Share Incentive Plan which are open to all employees.

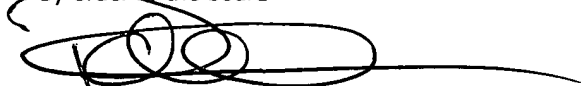
Disclosure of information to auditors

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

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

By order of the board



P Armstrong

Company secretary

26 August

2016

FR Aviation Limited

Strategic report for the year ended 31 December 2015

Business review

The results for the year and financial position at the year end are set out in the Directors' Report on page 1. The principal activity of the Company is the provision of air defence training and aircraft engineering. The principal activity is not expected to change in the foreseeable future.

The directors consider the results for the year to be satisfactory despite challenging market conditions.

With effect from 1 January 2015, UK financial reporting standards have been revised and replaced with new standards including FRS 101, Reduced Disclosure Framework and FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The Company has chosen to adopt FRS 101 and has taken advantage of the disclosure exemptions allowed under this standard. The Company's parent undertaking, Cobham plc, was notified of and did not object to the use of the EU adopted IFRS disclosure exemptions. The impact of the adoption of FRS 101 during the year is set out in note 27.

Future developments

The directors are confident that next year will again show a strong and profitable performance.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the Company are considered to relate to Government intentions and policy regarding the likelihood and extent of constraints or reductions in budgeted defence spending. Further discussion of the principal risks, in the context of the Cobham plc group as a whole, is provided on pages 32 to 37 of the Cobham plc 2015 Annual Report and Accounts which does not form part of this report.

Key performance indicators

The directors of the ultimate parent undertaking, Cobham plc, manage the group's operations by sector. For this reason, the Company's directors believe that the most useful analysis of key performance indicators is with reference to the development, performance and position of the Cobham Aviation Services sector of the Cobham plc group, which includes the Company. This is discussed on pages 24 and 25 of the Cobham plc 2015 Annual Report and Accounts, which does not form part of this report. KPIs for the group as a whole are discussed on pages 14 to 17 of that report.

Financial risk management

The Company's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk, interest rate cash flow risk and foreign currency exchange rate risk. The Company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Company.

Given the size of the Company relative to the Cobham plc group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors of Cobham plc are managed by the group finance department. The Cobham plc group has a policy and procedures manual that sets out guidelines to allow it to manage credit risk, interest rate cash flow risk and foreign currency exchange rate risk and this is applied by the Company.

The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

Price risk

The Company is not naturally exposed to price risk as a result of its operations due to the nature of its trading operations and contract arrangements. The Company has no exposure to equity securities price risks as it holds no listed or other equity investments.

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Strategic report for the year ended 31 December 2015 (continued)

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before contracts are signed and sales are made. The Company also monitors existing customer accounts on an ongoing basis and takes appropriate action where necessary to minimise any potential credit risk. Cash and bank balances are held with banks that have been assigned satisfactory credit ratings by international credit rating agencies.

Liquidity risk

The Company retains sufficient cash to ensure it has available funds for operations and planned expansions. The Company also has access to longer term funding from its ultimate parent undertaking if required.

Interest rate cash flow risk

The Company has both interest bearing assets and interest bearing liabilities. The interest bearing assets include only cash balances, which earn interest at a floating rate. The interest bearing liabilities relate to finance leases. In order to ensure stability of cash outflows and hence manage interest rate risk, the Company has access to fixed interest rate loans from its ultimate parent undertaking. The Company does not use derivative financial instruments to manage interest rate costs.

Foreign currency exchange rate risk

The Company has a policy to minimise foreign currency exchange rate risk through the regular monitoring of foreign currency flows and putting in place where appropriate forward currency exchange rate contracts with the ultimate parent undertaking.

By order of the board



P Armstrong

Company secretary

26 August 2016

FR Aviation Limited

Independent auditors' report to the members of FR Aviation Limited

Report on the financial statements

Our opinion

In our opinion FR Aviation Limited's financial statements (the "financial statements"):

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

What we have audited

The financial statements included within the Annual Report, comprise:

- the Balance sheet as at 31 December 2015;
- the Income statement and Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

FR Aviation Limited

Independent auditors' report to the members of FR Aviation Limited (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 1 and 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Kevin Godfrey (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
26 August 2016

FR Aviation Limited

Income statement for the year ended 31 December 2015

	Note	2015 £000	2014 £000
Revenue	2	77,480	65,397
Cost of sales		(57,224)	(49,929)
Gross profit		20,256	15,468
Selling and distribution costs		(1,087)	(1,328)
Administrative expenses:			
Administrative expenses (excluding exceptional item)		(5,588)	(4,491)
Exceptional item	3	-	(1,445)
Administrative expenses		(5,588)	(5,936)
Operating profit	3	13,581	8,204
Income from shares in subsidiary undertakings		-	45
Finance income	4	160	121
Finance costs	5	(1,146)	(1,223)
Profit on ordinary activities before taxation		12,595	7,147
Tax on profit on ordinary activities	6	(2,330)	(1,892)
Profit after taxation for the year		10,265	5,255

All the Company's activities are classed as continuing in the current and comparative year.

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Statement of comprehensive income for the year ended 31 December 2015

	Note	2015 £000	2014 £000
Profit after taxation for the year		10,265	5,255
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit retirement benefit obligations	22	5,010	(2,470)
Tax effects	6	(1,002)	494
Other comprehensive income/(expense) for the year		4,008	(1,976)
Total comprehensive income for the year		14,273	3,279

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Balance sheet as at 31 December 2015

	Note	2015 £000	2014 £000
Assets			
Non-current assets			
Property, plant and equipment	11	18,620	20,790
Investments	12	312	312
Trade and other receivables	15	1,627	3,021
		20,559	24,123
Current assets			
Inventories	14	2,689	4,070
Trade and other receivables	15	8,880	14,429
Cash and cash equivalents		49,104	32,247
		60,673	50,746
Liabilities			
Current liabilities			
Trade and other payables	16	(19,939)	(23,112)
Provisions	19	(3,376)	(2,936)
		(23,315)	(26,048)
Non-current liabilities			
Trade and other payables	17	(9,486)	(8,388)
Retirement benefit obligations	22	(5,699)	(12,007)
		(15,185)	(20,395)
Net assets		42,732	28,426
Equity			
Called up share capital	21	1	1
Other reserve	21	4,113	4,080
Retained earnings		38,618	24,345
Total equity		42,732	28,426

The financial statements on pages 7 to 36 were approved by the board on 26 August 2016 and were signed on its behalf by:

P Armstrong



Director

**Statement of changes in equity
for the year ended 31 December 2015**

	Share capital £000	Other reserve (note 21) £000	Retained earnings £000	Total equity £000
Total equity at 1 January 2014 (as previously reported)	1	3,717	29,971	33,689
Effect of transition to FRS 101 (note 27)	-	159	(8,860)	(8,701)
Total equity at 1 January 2014 (as restated)	1	3,876	21,111	24,988
Profit for the year	-	-	5,255	5,255
Other comprehensive income	-	-	(1,976)	(1,976)
Total comprehensive income for the year	-	-	3,279	3,279
Share based payments - capital contribution (note 9)	-	173	-	173
Capital contribution repaid (note 9)	-	(36)	-	(36)
Tax credit relating to share based payments	-	67	-	67
Dividends paid (note 10)	-	-	(45)	(45)
Total equity at 31 December 2014	1	4,080	24,345	28,426
Profit for the year	-	-	10,265	10,265
Other comprehensive income	-	-	4,008	4,008
Total comprehensive income for the year	-	-	14,273	14,273
Share based payments - capital contribution (note 9)	-	148	-	148
Tax charge relating to share based payments	-	(115)	-	(115)
Total equity at 31 December 2015	1	4,113	38,618	42,732

Notes to the financial statements for the year ended 31 December 2015

1. Statement of accounting policies

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101). The Company has early adopted the amendments to FRS 101 which were issued in July 2015. The Company transitioned from previous UK GAAP to FRS 101 for all periods presented. Details of adjustments arising on transition can be found in note 27.

The financial statements have been prepared on the going concern basis, under the historical cost convention unless otherwise stated and as modified to include the revaluation of certain derivative financial assets and liabilities measured at fair value through profit or loss and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 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, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a cash flow statement and related notes (IAS 7, Statement of Cash Flows and paragraph 10(d) of IAS 1, Presentation of Financial Statements);
- Paragraph 38 of IAS 1, Presentation of Financial Statements comparative period reconciliations in respect of:
 - i. paragraph 79(a)(iv) of IAS 1 (number of shares outstanding);
 - ii. paragraph 73(e) of IAS 16, Property, plant and equipment;
- capital management disclosures required by paragraphs 134 to 136 of IAS 1;
- the requirements of paragraph 10(f) of IAS 1 (prior period balance sheet following a restatement);
- the requirements of paragraphs 30 and 31 of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors concerning the effects of new but not yet effective IFRSs;
- details of compensation of key management personnel required by paragraph 17 of IAS 24, Related Party Disclosures; and
- the requirements in IAS 24 to disclose related party transactions entered into between two or more members of a group.

In addition, as the consolidated financial statements of Cobham plc include the equivalent disclosures, the following exemptions under FRS 101 have also been taken:

- share based payment disclosures under paragraphs 45(b) and 46-52 of IFRS 2, Share Based Payment in respect of group settled share based payments;
- Financial instrument information required by IFRS 7, Financial Instruments: Disclosures and paragraphs 91 to 99 of IFRS 13, Fair value measurement except those which are relevant for the financial instruments which are held at fair value and are neither held as part of a trading portfolio or derivatives.

Accounting developments

Amendments to standards which have been adopted with effect from 1 January 2015 are:

- Amendment to IAS 19, Defined Benefit Plans;
- Annual Improvements 2012;
- Annual Improvements 2013.

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Notes to the financial statements for the year ended 31 December 2015 (continued)

No adjustments were required on the adoption of these amendments.

Management judgement and estimation uncertainty

The preparation of financial statements requires the use of estimates and judgements that affect the application of accounting policies and reported amounts of assets, liabilities, revenue and expenses.

These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The current economic conditions have been considered when evaluating accounting estimates and judgements, including the application of the going concern basis of preparation. Although estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year, are as follows:

Retirement benefits (note 22)

These financial statements include costs and liabilities in relation to retirement benefit obligations. A number of assumptions are made in assessing the costs and present value of the pension assets and liabilities, which include the long term rate of increase of salary costs, discount rate, inflation and mortality rates. The Company uses published indices and independent actuarial advice to select the values of critical assumptions.

Significant accounting policies

The principal accounting policies, which have been applied consistently throughout the year and in preparing an opening FRS 101 balance sheet as at 1 January 2014, are set out below.

Revenue

Revenue is measured at the fair value of the right to consideration, net of returns and other allowances, and excludes value added tax and other sales taxes.

Revenue is recognised when the Company has met its contractual obligations for service delivery to its customers. In the case of contracts of a long duration, revenue is recognised based upon the fair value of work performed to date assessed with reference to contract milestones.

Cash received in advance from customers is taken to deferred income and recognised as revenue when the service is provided. Revenue recognised in advance of customer billing is taken to accrued income.

Current and deferred taxation

Current tax is provided at the amounts expected to be paid using rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is calculated at the tax rates that are expected to apply in the periods in which the asset is realised or liability is settled, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis and deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

Tax is charged or credited to the income statement except when it relates to items recognised in other comprehensive income (OCI) or directly in equity, in which case the tax is also recognised in OCI or directly in equity respectively. Tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Property, plant and equipment and depreciation

Property, plant and equipment is stated at historic cost, less accumulated depreciation and any recognised impairment losses. Cost comprises the purchase price and any costs directly attributable to the asset.

All property, plant and equipment, is depreciated on a straight-line basis to the estimated residual values over estimated useful lives. These lives are as follows:

Leasehold properties (long lease)	50 years
Plant and machinery (including aircraft and vehicles)	3 to 10 years
Fixtures, fittings, tools and equipment	3 to 8 years

Estimated residual values and the estimated useful lives are reviewed annually and adjusted where necessary. Assets under construction are held at cost and transferred to the appropriate category of property, plant and equipment once construction is complete and they enter into service. They are depreciated from this point in accordance with the policies described above.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Investments

Investments are stated at cost, less any provision for impairment in value.

Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made where necessary for obsolete, slow moving and defective items.

Pension costs

The Company contributes to the Cobham Pension Plan (CPP), a multi-employer defined benefit pension scheme operated by Cobham plc, the assets of which are held separately in trustee administered funds. The assets and liabilities of the CPP have been allocated to the contributing companies based on the proportional number of members. The Company also contributes to a defined contribution scheme operated by Cobham plc.

For the defined benefit scheme, current service costs and costs related to the administration of the schemes are charged to operating profit. Past service costs are recognised immediately in the income statement. The interest on net assets or liabilities is shown within finance income and costs. Actuarial remeasurements are recognised immediately in OCI.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting net defined benefit asset or liability is presented separately on the face of the balance sheet.

For the defined contribution scheme, the amount charged to the income statement in respect of pension costs and other post-retirement benefits are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are recorded as either accruals or prepayments in the balance sheet.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially recognised at fair value at trade date and subsequently held at fair value or amortised cost dependent upon the classification as outlined below.

The fair value of an asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the balance sheet date. Fair value measurements are used on a recurring basis.

Financial assets and liabilities are presented on an offset basis when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis.

Financial assets

The classification of financial assets depends on the purpose for which the assets were acquired. Management determines the classification of an asset at initial recognition and re-evaluates the designation at each reporting date.

Assets held at fair value through profit or loss are those categorised as held for trading under IAS 39 and are classified as current assets or non-current assets dependent upon maturity. Such financial assets are subsequently carried at fair value.

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. These are classified as current or non-current assets dependent upon maturity and included within trade and other receivables. Loans and receivables also includes cash and cash equivalents. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method.

Financial liabilities

Financial liabilities are categorised on initial recognition as held for trading under IAS 39 and are held at fair value through profit or loss, or other liabilities, which are held at amortised cost. All financial liabilities are classified as current or non-current liabilities dependent upon the maturity date of the instruments.

Derivative financial instruments are categorised as held for trading as they are not designated as hedges.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

The fair value of financial liabilities held at cost (not at fair value through profit or loss) is adjusted for transaction costs that are directly attributable to the acquisition or issue of the liability. Financial liabilities at fair value through profit or loss are subsequently carried at fair value. Financial liabilities not at fair value through profit or loss are stated at amortised cost using the effective interest method.

Derivative financial instruments

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates and foreign exchange contracts are used to reduce these exposures. The Company does not use derivative financial instruments for speculative purposes.

Foreign exchange contracts entered into to mitigate foreign exchange impacts of trading in non-functional currencies are not accounted for using hedge accounting. These derivative financial instruments are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. Movements in fair value of the derivative financial instruments are included in the income statement as part of operating profit.

The fair values of derivative financial instruments have been determined by the use of valuation techniques, primarily discounted cash flows, based on assumptions that are supported by observable market prices or rates.

The fair value of such derivatives is classified as a current or non-current asset or liability dependent upon the expected realisation of the assets or settlement of the liabilities.

Trade and other receivables

Trade and other receivables are stated at their amortised cost, reduced by appropriate allowances for estimated irrecoverable amounts.

The impairment recorded is the difference between the carrying value of the receivables and the present value of the estimated future cash flows. Any impairment required is recorded in the income statement in administrative expenses. The balance may be written off in full generally where receivables are in excess of 12 months old. At that time, any amounts previously provided for impairment are released.

Foreign currencies

Transactions denominated in foreign currencies are translated at an average monthly rate of exchange which approximates to the actual daily rate throughout the year.

Monetary assets and liabilities denominated in foreign currencies are expressed in sterling, translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with in administrative expenses in the income statement.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

Share-based payments

For grants made under the Cobham plc group's equity share based payment schemes, amounts which reflect the fair value of awards made to employees of the Company as at the time of grant are charged to the income statement over the relevant vesting periods, taking into account management's best estimate of the number of awards expected to vest. The vesting estimate, which includes progress against non-market related performance conditions, is reviewed and updated at each balance sheet date. The excess of the charge over any amounts paid to Cobham plc for these awards is recognised as a capital contribution in equity.

The valuation methodology for all schemes is based on the Black-Scholes model, modified where required to allow for the impact of market related performance criteria and taking into account all non-vesting conditions.

2. Revenue

All sales are deemed as being attributable to the company's principal activity of air defence training and aircraft engineering.

An analysis of revenue by geographical destination is given below:

	2015 £000	2014 £000
United Kingdom	69,444	63,741
Other EU countries	2,074	1,544
Rest of the world	5,962	112
	77,480	65,397

3. Operating profit

Operating profit is stated after charging/(crediting):

	2015 £000	2014 £000
Depreciation		
- owned assets	1,224	1,085
- leased assets	2,729	2,316
Operating lease charges		
- plant and machinery	505	400
- land and buildings	374	374
Exceptional item - Impairment of investment	-	1,445
Net gain on derivative financial instruments	(82)	(473)
Exchange differences	(259)	3
Auditors' remuneration for the audit of the Company's financial statements	37	41

The exceptional item in the prior year relates to the impairment of the Company's investment following the transfer of its main contract to a fellow subsidiary undertaking of Cobham plc.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

Fees paid to the Company's auditors, PricewaterhouseCoopers LLP and its associates for services other than the statutory audit of the Company are not disclosed in these financial statements since the consolidated group financial statements of the ultimate parent undertaking, Cobham plc, disclose the non-audit fees on a consolidated basis.

4. Finance income

	2015 £000	2014 £000
Bank interest receivable	160	121

5. Finance costs

	2015 £000	2014 £000
Interest on net pension scheme liabilities	361	428
Finance lease interest	785	795
	1,146	1,223

6. Tax on profit on ordinary activities

Tax charged in the income statement:

	2015 £000	2014 £000
Current tax:		
UK corporation tax on profit for the year	2,175	1,493
Adjustment in respect of previous years	(166)	171
Total current tax	2,009	1,664
Deferred tax:		
Charge for the year (note 20)	276	228
Adjustment in respect of previous years	45	-
Total deferred tax	321	228
Tax on profit on ordinary activities	2,330	1,892

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

Tax expense/(income) included in OCI:

	2015 £000	2014 £000
Deferred tax:		
Actuarial loss on defined benefit retirement benefit obligations	1,002	(494)

Tax expense included in equity:

	2015 £000	2014 £000
Deferred tax:		
Timing differences relating to share based payments	115	(67)

The tax on profit on ordinary activities can be reconciled to the accounting profit as follows:

	2015 £000	2014 £000
Profit on ordinary activities before taxation	12,595	7,147
Profit on ordinary activities multiplied by the standard rate in the UK of 20.25% (2014: 21.5%)	2,550	1,537
Effects of:		
(Income not taxable)/Expenses not deductible for tax purposes	(4)	305
Share based payments	(95)	-
Dividend income not taxable	-	(10)
Adjustment in respect of previous years	(121)	60
Total tax on profit on ordinary activities	2,330	1,892

The tax rate for the current year is lower than the prior period due to changes in the UK Corporation tax rate which decreased from 21% to 20% from 1 April 2015.

The rate of UK Corporation tax will reduce from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020. Closing deferred tax balances have been calculated accordingly.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

7. Directors' emoluments

The emoluments of the directors employed by the Company are:

	2015	2014
	£000	£000
Aggregate emoluments	148	318
Aggregate amounts paid in respect of money purchase pension schemes	11	13
	159	331

One director is employed by, and receives emoluments from another group undertaking and also acts as director for a number of legal entities within the Cobham plc group. Where the individual acts as director for a number of other legal entities within the Cobham plc group, no specific amounts can be apportioned or are payable in the current or prior year in respect of directors services supplied to the Company. Charges have been made by other group undertakings to the Company which include amounts related to the management of the Company; however it is not possible to accurately identify directors' emoluments included within these charges. Accordingly the above details do not include any emoluments in respect of this director.

Retirement benefits are accruing to 1 (2014: 1) director under money purchase pension schemes. During the current and prior year, neither of the directors exercised options over shares of Cobham plc and no (2014: 1) directors were entitled to receive shares under long term incentive plans.

8. Employee costs

	2015	2014
	£000	£000
Wages and salaries	14,832	14,220
Share based payments (note 9)	148	137
Social security costs	1,611	1,585
Pension costs (note 22)	2,241	2,073
	18,832	18,015

The average monthly number of employees (including executive directors) employed by the Company during the year was:

By activity	2015	2014
Production and engineering	259	256
Marketing	6	7
Management and administration	47	40
	312	303

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

9. Share-based payments

The Company participates in share schemes operated by the ultimate parent undertaking, Cobham plc, and the following amounts are included in these financial statements:

	2015 £000	2014 £000
PSP awards	17	57
RSP awards	8	-
ShareSave awards	123	116
Charge to income statement and capital contribution from ultimate parent undertaking	148	173
Repayment of capital contribution	-	(36)
Net capital contribution from ultimate parent undertaking	148	137

As the schemes relate to shares of the ultimate parent undertaking, the Company has recognised a net capital contribution equal to the income statement charge, less amounts repaid in reserves.

The PSP scheme allows for annual grants of conditional shares and nil-cost options with vesting conditions based on the Cobham plc group's financial performance. This scheme also includes retention awards granted in 2014. The RSP scheme provides conditional shares which vest based upon continued employment within the Cobham Group after a three year period. Further details of all schemes can be found in the 2015 Annual Report and Accounts of Cobham plc.

The Cobham Savings Related Share Option Scheme (ShareSave) is an HMRC approved savings related share option plan which is open to all UK employees. Participating employees contribute to a monthly savings plan and after an agreed period of at least three years, employees have the option to use these savings plus interest to purchase Cobham plc shares at 80% of the market price on the date of grant.

The number of awards outstanding under each of the schemes were as follows:

	2015	2014
PSP	29,928	106,188
RSP	8,328	-
ShareSave	1,276,309	1,404,834
Total awards outstanding at 31 December	1,314,565	1,511,022

Options outstanding under the ShareSave scheme had a weighted average remaining contractual life of 2.2 years (2014: 2.0 years) and exercise prices which range from £1.48 to £2.41 (2014: £1.48 to £2.41).

Exercises of awards under the Sharesave scheme were made at various times throughout the year. The average share price in that period was £2.96 (2014: £2.99).

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

10. Dividends

	2015 £000	2014 £000
Dividend for current year paid of £nil (2014: £45) per share	-	45

A final dividend for the year ended 31 December 2015 of £7,000.00 per share, representing a total dividend payment of £7,000,000 has been authorised and paid in March 2016. This dividend has not been accounted for within the current year's financial statements as it had not been approved at the balance sheet date.

11. Property, plant and equipment

	Leasehold land and buildings (long lease) £000	Plant and machinery (including vehicles) £000	Fixtures fittings, tools and equipment £000	Assets in the course of construction £000	TOTAL £000
Cost					
At 1 January 2015	7,794	32,589	5,077	4,660	50,120
Additions	-	5,060	97	2,195	7,352
Disposals	(84)	(4,501)	(1,369)	(5,507)	(11,461)
At 31 December 2015	7,710	33,148	3,805	1,348	46,011
Accumulated depreciation and impairment					
At 1 January 2015	3,468	21,140	4,722	-	29,330
Charge for the year	415	3,299	239	-	3,953
Disposals	(49)	(4,474)	(1,369)	-	(5,892)
At 31 December 2015	3,834	19,965	3,592	-	27,391
Carrying amount					
At 31 December 2015	3,876	13,183	213	1,348	18,620
At 31 December 2014	4,326	11,449	355	4,660	20,790

The net carrying amount of assets held under finance leases and capitalised in plant and machinery was £11,018,000 (2014: £9,759,000). The leased equipment secures lease obligations (see note 18).

In addition to the above, the Company has Intangible Assets (Software) with a nil carrying value at 31 December 2015 and 31 December 2014. The cost and cumulative amortisation were £1,230,000 and £1,230,000 respectively at both 1 January and 31 December 2015.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

12. Investments

	Shares at cost £000
Cost	
At 1 January 2015 and 31 December 2015	1,757
Impairment	
At 1 January 2015 and 31 December 2015	1,445
Net book amount	
At 31 December 2015 and 31 December 2014	312

The above investment represents a 50% ordinary shareholding in another group company, FBS Limited, which is incorporated in England. The principal activity of that company was the management of a Ministry of Defence contract and its registered office address is the same as the registered office of the Company.

In the opinion of the directors the value of investments is not less than the aggregate amount at which they are shown in the balance sheet.

13. Derivative financial instruments

The Company has the following derivative financial instruments which are financial assets measured at fair value through profit or loss or financial liabilities categorised as held for trading:

	2015 £000	2014 £000
Non-current assets	65	21
Current assets	292	298
Current liabilities	(18)	(63)
Non-current liabilities	(2)	(1)
	337	255

The Company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency receivables and payables. At 31 December 2015, the outstanding contracts all mature within 18 months (2014: 17 months) of the year end. The Company is committed to buy US and Australian dollars, and to buy and sell Euros for fixed sterling amounts.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions in valuing the derivatives are the exchange rates for GBP: USD, GBP: AUD and GBP: EUR. Movements in fair values are reported in the income statement within administration costs (note 3).

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

14. Inventories

	2015	2014
	£000	£000
Raw materials and consumables	1,500	2,445
Work in progress	1,189	1,625
	2,689	4,070

There is no significant difference between the replacement cost and the value of inventories shown.

15. Trade and other receivables

Current assets:

	2015	2014
	£000	£000
Trade receivables	4,358	4,428
Amounts owed by fellow subsidiary undertakings	1,127	468
Derivative financial instruments (note 13)	292	298
Other receivables	21	4,379
Prepayments and accrued income	3,082	4,856
	8,880	14,429

Non-current assets:

	2015	2014
	£000	£000
Derivative financials instruments (note 13)	65	21
Deferred tax assets (note 20)	1,562	3,000
	1,627	3,021

Amounts owed by fellow subsidiary undertakings are unsecured, interest free and repayable on demand. Other receivables include amounts recoverable on contracts.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

16. Current liabilities: Trade and other payables

	2015 £000	2014 £000
Trade payables	1,577	1,463
Payments on account	8,296	12,960
Amounts owed to fellow subsidiary undertakings	1,152	725
Finance leases (note 18)	2,558	2,307
Derivative financial instruments (note 13)	18	63
Corporation tax	2,180	1,696
Other tax and social security	2,006	1,312
Accruals and deferred income	2,152	2,586
	19,939	23,112

Amounts owed to fellow subsidiary undertakings are unsecured, interest free and are repayable on demand.

17. Non-current liabilities: Trade and other payables

	2015 £000	2014 £000
Derivative financial instruments (note 13)	2	1
Finance leases (note 18)	9,484	8,387
	9,486	8,388

18. Finance leases

Minimum future payments under finance leases are as follows:

	2015 £000	2014 £000
Within one year	2,558	2,307
Between two and five years	9,484	8,387
	12,042	10,694

Finance leases are with a fellow subsidiary undertaking of Cobham plc and in connection with the lease of Falcon aircraft and associated equipment. This arrangement is due to expire in 2019.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

19. Provisions

	Staff & operating cost provisions £000	Other provisions £000	Onerous contract provisions £000	Total £000
At 1 January 2015	27	2,686	223	2,936
Reclassified from accruals	-	324	-	324
Charged to the income statement	50	714	223	987
Unused amounts reversed in the year	(32)	(616)	(223)	(871)
At 31 December 2015	45	3,108	223	3,376

Staff and operating cost provisions

Staff cost provisions include provisions which occur where certain employees and directors are offered relocation benefits on commencement of their positions, whereby the amounts recognised in the provision in the balance sheet represent the contracted allowances, less amounts claimed by the individuals, previously charged to profit and loss. All the amounts recognised are expected to be fully utilised during 2016.

Other provisions

Other provisions include amounts potentially due to third parties under contracts in existence at the year end one of which had previously been presented within accruals. The amounts recognised are expected to be utilised over the next four years.

Onerous contract provisions

The onerous contracts provision represents amounts due on onerous leases and other contracts that the company has entered into. The amounts recognised are expected to be fully utilised during 2016.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

20. Deferred taxation

The following are the major deferred tax assets and liabilities recognised by the Company, and the movements thereon:

	Property, plant and equipment £000	Retirement benefit obligations £000	Revaluation of derivative financial instruments £000	Other £000	Total £000
At 1 January 2014 (as previously reported)	336	-	-	195	531
Effect of transition to FRS 101 (note 27)	-	2,124	44	(32)	2,136
At 1 January 2014	336	2,124	44	163	2,667
(Charged)/credited to the income statement	38	(217)	(95)	46	(228)
Credited to OCI	-	494	-	-	494
Credited to reserves	-	-	-	67	67
At 1 January 2015	374	2,401	(51)	276	3,000
Charged to the income statement	(4)	(259)	(11)	(47)	(321)
Charged to OCI	-	(1,002)	-	-	(1,002)
Charged to reserves	-	-	-	(115)	(115)
At 31 December 2015	370	1,140	(62)	114	1,562

Other deferred tax balances comprise amounts relating to share based payments and other short term timing differences.

Certain deferred tax assets and liabilities have been offset in accordance with the Company's accounting policy.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

Without taking into consideration the offsetting of balances, deferred tax balances are as follows:

	Property, plant and equipment £000	Retirement benefit obligations £000	Revaluation of derivative financial instruments £000	Other £000	Total £000
Deferred tax assets	370	1,140	-	114	1,624
Deferred tax liabilities	-	-	(62)	-	(62)
At 31 December 2015	370	1,140	(62)	114	1,562
Deferred tax assets	374	2,401	-	276	3,051
Deferred tax liabilities	-	-	(51)	-	(51)
At 31 December 2014	374	2,401	(51)	276	3,000

21. Share capital and reserves

Share capital – allotted, called up and fully paid

	2015 £000	2014 £000
1,000 Ordinary shares of £1 each	1	1

Other reserve

The other reserve relates to share-based payments awarded to certain employees of the Company by the ultimate parent undertaking, Cobham plc (note 9).

22. Retirement benefit obligations

Pension costs included in employment costs in note 8 are as follows:

	2015 £000	2014 £000
Defined contribution scheme – contributions payable	1,028	846
Defined benefit scheme	1,213	1,227
	2,241	2,073

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

Defined contribution scheme

The Company participates in the Cobham Personal Pension Plan, a defined contribution scheme operated for companies within the Cobham plc group. It also makes contributions for certain employees to individual personal pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension cost charged represents contributions payable by the Company to the funds and amounted to £1,028,000 (2014: £846,000). At 31 December 2015 there were no contributions outstanding (2014: £nil).

Defined benefit scheme

	2015 £000	2014 £000
Defined benefit scheme assets	79,541	79,448
Defined benefit obligations	(85,240)	(91,455)
	(5,699)	(12,007)

The Company also participates in the defined benefit section of the Cobham Pension Plan operated by Cobham plc. The scheme is of the funded defined benefit type (where benefits are based on employees' length of services and average final salary) and its assets are held in a separate trustee administered fund. It has been closed to new members since 2003 and will be closed to future accrual from 1 April 2016.

Actuarial valuations of the present value of the defined benefit obligations for the scheme are carried out on a triennial basis by qualified independent actuaries; the most recent valuation was as at 1 April 2015. This involves a detailed review of membership movements and generated experience gains of £1,655,000 recognised in the year. The actuarial valuation was updated by qualified independent actuaries for accounting purposes to 31 December 2015. Within 15 months of each triennial valuation, the employer and the trustees are required to agree a schedule of contributions to ensure that the scheme is fully funded over time on a suitably prudent basis. The funding of the scheme is apportioned to participating Cobham plc group companies based on the number of scheme members attributable to each employer. Orphan members who cannot be attributed to other Cobham group employers are deemed to be members of Cobham plc.

The Company expects to contribute £2,092,000 to the scheme in 2016 which includes £1,894,000 related to deficit funding. There were no significant contributions outstanding at the end of 2015 or 2014.

In November 2015, following member consultation, it was agreed that the CPP will be closed to future accrual from 1 April 2016. This has resulted in the recognition of curtailment gains amounting to £2,881,000 in the Income Statement. This is partly offset by increased commutation factors of £2,181,000 recognised as a past service cost.

The defined benefit scheme exposes the Company to a number of risks, as described below:

- Volatility of investment returns. If the investment return is lower than the discount rate set with reference to corporate bond yields then the scheme deficit will increase;
- Inflation risk. Pensionable salaries, deferred pensions and pensions in payment are subject to inflationary increases. A higher inflation rate will lead to higher defined benefit obligations;
- Changes in bond yields. Volatility in the financial markets can have a significant impact on corporate bond yields which are used to generate a discount rate assumption. Lower corporate bond yields will lead to higher defined benefit obligations;
- Life expectancy risk. The scheme's obligations are to provide benefits for the life of the member and therefore increases in life expectancy will lead to higher defined benefit obligations.

Notes to the financial statements

for the year ended 31 December 2015 (continued)

The trustees seek to mitigate these risks and have invested in liability driven investments that mitigate bond yield, inflation and investment risks. The remaining assets include significant investment in diversified growth funds which seek to manage investment risks. In addition the pensioners of the scheme as at 1 July 2013 were subject to a buy-in arrangement where assets are transferred to an insurance company in return for a qualifying insurance policy which provides an income stream equivalent to the obligations to pensioners covered by the arrangement. The insurance contract asset is measured at a value equal to the related liabilities, mitigating the risks related to those liabilities.

The principal financial assumptions used for the purpose of the actuarial valuations were as follows:

	2015	2014
Rate of increase in salary costs	3.45%	3.45%
Rate of increase in pensions in payment	3.20%	3.20%
Rate of increase in deferred pensions	2.20%	2.20%
Discount rate	3.80%	3.50%
Inflation assumption	3.20%	3.20%

The mortality assumptions used are based upon actual recent mortality experience of members within the scheme and also allow for future mortality improvements. The mortality tables used to estimate life expectancy are known as 'SAPS CMI 14' (2014: SAPS CMI 13). In practical terms, this is demonstrated in the table below:

	Year of birth	Year age 65	Further life expectancy
Male	1950	2015	22.8 years
Female	1950	2015	24.8 years
Male	1980	2045	25.6 years
Female	1980	2045	27.7 years

At 31 December 2015 it has been assumed that members will commute on average 25% (2014: 20%) of their pension for cash on retirement.

The sensitivity of scheme liabilities to changes in certain key assumptions, after adjusting for liabilities covered by insurance contracts, is provided below:

	Change in assumption	Change in liabilities
Discount rate	Increase by 0.5%	-8%
Inflation rate	Increase by 0.5%	+5%
Life expectancy	Increase by 1 year	+3%

If the change in assumptions were in the opposite direction to that shown above, the impact would be approximately symmetrical.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

Analysis of amount charged/(credited) to operating profit:

	2015 £000	2014 £000
Current service cost (administrative expenses)	1,849	1,161
Past service cost (administrative expenses)	2,181	-
Gain on curtailment	(2,881)	-
Scheme administration expenses	64	66
Amounts recognised in operating profit	1,213	1,227

Analysis of amount charged to other finance expense:

	2015 £000	2014 £000
Net interest	361	428

Analysis of amount recognised in OCI:

	2015 £000	2014 £000
Actual return less interest income on scheme assets	(2,723)	8,190
Experience gains and losses arising on scheme liabilities	1,655	(9)
Actuarial gains and losses arising from changes in financial assumptions	4,902	(11,062)
Actuarial gains and losses arising from changes in demographic assumptions	1,176	411
Amounts recognised in OCI	5,010	(2,470)

Changes in the fair value of scheme liabilities are as follows:

	2015 £000	2014 £000
Fair value of scheme liabilities at the beginning of the year	91,455	78,425
Current service cost	1,849	1,161
Past service cost	2,181	-
Interest cost	3,147	3,494
Actuarial (gains)/losses arising from changes in financial assumptions	(6,557)	11,071
Actuarial (gains)/losses arising from changes in demographic assumptions	(1,176)	(411)
Contributions by members	289	437
Gain on curtailment	(2,881)	-
Benefits paid	(3,067)	(2,721)
Fair value of scheme liabilities at the end of the year	85,240	91,455

The weighted average duration of the scheme liabilities is estimated to be 18 years.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

Changes in the fair value of scheme assets are as follows:

	2015 £000	2014 £000
Fair value of scheme assets at the beginning of the year	79,448	67,806
Interest	2,786	3,066
Actuarial (losses)/gains	(2,723)	8,190
Scheme administration expenses	(64)	(67)
Contributions by members	289	437
Contributions by employer	2,872	2,737
Benefits paid	(3,067)	(2,721)
Fair value of scheme assets at the end of the year	79,541	79,448

The fair value of major categories of scheme assets, and as a percentage of total scheme assets, is as follows:

	2015		2014	
	£'000	%	£'000	%
UK equity instruments	6,004	7.5%	5,848	7.4%
Overseas equities	3,485	4.4%	3,600	4.5%
Emerging markets equities	2,360	3.0%	2,392	3.0%
Liability driven investments	7,955	10.0%	14,111	17.8%
Insurance contracts	32,291	40.6%	33,433	42.0%
Diversified growth funds	20,975	26.4%	19,930	25.1%
Other assets	6,471	8.1%	134	0.2%
	79,541	100.0%	79,448	100.0%

Scheme assets do not include any of the Company's own financial instruments, nor any property occupied by, or other assets used by, the Company.

23. Contingent liabilities

The Company is a participant in a 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 support these group facilities.

The Company has given its bankers an indemnity in respect of a deferment guarantee given by them on the Company's behalf to HM Revenue and Customs of an amount not exceeding £600,000 (2014: £600,000) and also has in place contract performance related guarantees totalling £28,000 (2014: £28,000) to other parties.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

24. Capital and other commitments

The Company had capital commitments for the purchase of property, plant and equipment contracted for but not provided of £18,000 at 31 December 2015 (2014: £1,539,000).

At the balance sheet date the Company had outstanding commitments for minimum lease payments due under non-cancellable operating leases as follows:

	2015 £000	2014 £000
Within one year	805	894
Between one and two years	390	782
Between two and three years	381	390
Between three and four years	362	381
Between four and five years	336	362
After five years	14,021	14,357
	16,295	17,166

25. Immediate and ultimate parent undertakings

The Company's immediate parent undertaking is FR Aviation Group Limited.

The ultimate parent undertaking and controlling party is Cobham plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the Cobham plc consolidated financial statements can be obtained from the Company Secretary at Cobham plc, Brook Road, Wimborne, Dorset BH21 2BJ.

26. Related party disclosures

The Company has undertaken transactions with the following related party on an arm's length basis. Activity during the year and balances at the year end were as follows:

	2015 Purchases in year £000	2015 Creditor balances £000	2014 Purchases in year £000	2014 Creditor balances £000
Aviation Defense SA	68	4	405	-

	Sales in year £000	Debtor balances £000	Sales in year £000	Debtor balances £000
Aviation Defense SA	49	25	27	26

Aviation Defense SA is a joint venture company of a fellow subsidiary undertaking of Cobham plc.

No amounts have been written off during the year, nor any doubtful debt provisions considered necessary.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

27. Transition to FRS 101 from previous UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101. The Company has early adopted the amendments to FRS 101 issued in July 2015.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the preparation of an opening FRS 101 balance sheet at 1 January 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). The Company has also reformatted the presentation of its balance sheet. An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and performance, prior to the reformatting of the balance sheet, is set out below:

Reconciliation of profit for the year ended 31 December 2014

		Effect of transition to		
	Note	UK GAAP	FRS 101	FRS 101
		£000	£000	£000
Turnover		65,397	-	65,397
Cost of sales		(49,929)	-	(49,929)
Gross profit		15,468	-	15,468
Distribution costs		(1,328)	-	(1,328)
Administrative expenses	a,b	(6,474)	1,983	(4,491)
Exceptional Items		(1,445)	-	(1,445)
Operating profit		6,221	1,983	8,204
Income from shares in subsidiary undertakings		45	-	45
Other interest receivable and similar income		121	-	121
Interest payable and similar charges	a	(795)	(428)	(1,223)
Profit on ordinary activities before taxation		5,592	1,555	7,147
Tax on profit on ordinary activities	c	(1,668)	(224)	(1,892)
Profit for the year		3,924	1,331	5,255

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

Reconciliation of equity		1 January 2014			31 December 2014		
		UK GAAP	Effect of transition to FRS 101	FRS 101	UK GAAP	Effect of transition to FRS 101	FRS 101
	Note	£000	£000	£000	£000	£000	£000
Fixed assets							
Intangible assets	d	-	32	32	-	-	-
Tangible fixed assets	d	16,053	(32)	16,021	20,790	-	20,790
Investments		1,757	-	1,757	312	-	312
Derivative financial instruments	b	-	-	-	-	21	21
Deferred tax asset	c	-	2,667	2,667	-	3,000	3,000
		17,810	2,667	20,477	21,102	3,021	24,123
Current assets							
Stocks	e	4,540	775	5,315	3,305	765	4,070
Debtors (due with one year)	f	11,283	(531)	10,752	14,658	(527)	14,131
Derivative financial instruments	b	-	21	21	-	298	298
Cash at bank and in hand		24,239	-	24,239	32,247	-	32,247
		40,062	265	40,327	50,210	536	50,746
Creditors: amounts due within one year		(14,407)	(775)	(15,182)	(22,284)	(765)	(23,049)
Derivative financial instruments	b	-	(224)	(224)	-	(63)	(63)
Net current assets		25,655	(734)	24,921	27,926	(292)	27,634
Creditors: amounts falling due after more than one year		(8,097)	-	(8,097)	(8,387)	-	(8,387)
Derivative financial instruments	b	-	(15)	(15)	-	(1)	(1)
Provisions for liabilities							
Other provisions		(1,679)	-	(1,679)	(2,936)	-	(2,936)
Retirement benefit obligations	a	-	(10,619)	(10,619)	-	(12,007)	(12,007)
		(9,776)	(10,634)	(20,410)	(11,323)	(12,008)	(23,331)
Net assets		33,689	(8,701)	24,988	37,705	(9,279)	28,426
Capital and reserves							
Called up share capital		1	-	1	1	-	1
Other reserves	g	3,717	159	3,876	3,854	226	4,080
Profit and loss account	h	29,971	(8,860)	21,111	33,850	(9,505)	24,345
Shareholders' equity		33,689	(8,701)	24,988	37,705	(9,279)	28,426

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

Notes to the reconciliation of equity and profit

a) Pension

Under UK GAAP, the Company was unable to identify its share of underlying assets and liabilities of the multi-employer defined benefit pension scheme operated by Cobham plc on a reasonable and consistent basis and in accordance with the exemption contained in FRS 17, the scheme was accounted for as if it was a defined contribution scheme. The charge to the income statement therefore reflected payments for the year. Under FRS 101, the multi-employer exemption is no longer available and the balance sheets have been amended to show a liability of £10,619,000 at 1 January 2014 and £12,007,000 at 31 December 2014. The impact on profit before taxation of adopting FRS101 for the year ended 31 December 2014 was an increase in profit of £1,082,000 consisting of an increase of £1,510,000 in administrative expenses and an increase of £428,000 in interest payable and other charges.

b) Derivative financial instruments

Financial assets and liabilities held at fair value through profit or loss such as the Company's derivative financial instruments were previously not held at fair value under UK GAAP. The adjustments necessary to reflect these items at fair value in accordance with FRS 101 totalled a net liability of £218,000 as at 1 January 2014 and a net asset of £255,000 as at 31 December 2014, with a fair value gain of £473,000 impacting administration costs in the income statement for the year ended 31 December 2014.

c) Tax

Changes in deferred tax represent the impact of deferred taxes on the adjustments necessary for the transition to FRS 101 and total £2,667,000 as at 1 January 2014 and £3,000,000 as at 31 December 2014. Adjustments charged to the income statement for the year ended 31 December 2014 were £224,000, of which £217,000 relating to retirement benefit obligations and £95,000 relating to derivative financial instruments. There is additionally a tax credit of £88,000 relating to a change in the basis of calculation of deferred tax for share based payments.

d) Intangible assets

Changes to intangible assets are a result of a reclassification of software from plant and machinery necessary for the transition to FRS101.

e) Stocks

Under FRS101 payments received and receivable on account of work in progress are reflected under trade and other payments. This has resulted in reclassifications of £775,000 and £765,000 as at 1 January 2014 and 31 December 2014 respectively between Stocks and creditors due within one year.

f) Debtors (due with one year)

Adjustments of £531,000 and £527,000 were made as at 1 January 2014 and 31 December 2014 respectively in relation to reclassification of deferred tax assets to non-current assets.

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Notes to the financial statements for the year ended 31 December 2015 (continued)

g) Other Reserves

Adjustments of £159,000 and £226,000 were made as at 1 January 2014 and 31 December 2014 respectively in relation to tax credits on shared based payments.

h) Retained earnings

Except for the reclassification items, all the adjustments above were recognised against opening retained earnings and other reserves as at 1 January 2014.