

Registered no: 322249

Airwork

LIMITED

Report and Accounts
for the year ended 31 January 1997



Airwork Limited

Report and Accounts

for the year ended 31 January 1997

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Airwork Limited

Directors and Advisors

Directors	J Gilmore	(resigned 28 February 1997)
	J D Spottiswood CB CVO AFC MA	(resigned 31 May 1996)
	R K Beasley	
	D J Bolton FCA	(resigned 1 February 1996)
	C P Crump	(appointed 1 January 1997)
	P S McBride	(appointed 1 January 1997)
	R McNulty	
	K Brundle	(resigned 21 January 1997)
	C Masterman	(resigned 1 February 1996)
A Roberts		

Secretary	R Milnes	(resigned 21 January 1997)
	J R Davies	(appointed 22 January 1997)

Registered office	Bournemouth International Airport Christchurch BH23 6NW
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Auditors	Ernst & Young Wessex House 19 Threefield Lane Southampton SO14 3QB
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Bankers	National Westminster Bank Plc 1 Princess St London EC2R 8PA
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Airwork Limited

Directors' Report

for the year ended 31 January 1997

The directors present their report and the audited accounts for the year ended 31 January 1997.

PRINCIPAL ACTIVITIES

The company provides technical support, procurement services and training for the aviation industry, airport management and operation and aviation-related equipment.

REVIEW OF BUSINESS

The company's business progressed satisfactorily during the year under review. However, turnover reduced to £27,848,000 from £29,397,000 for the year ended 31 January 1996, and operating profit reduced to £3,676,000 from £4,683,000. This reflects increasing pressure on price and margins for the Middle East business.

DIVIDENDS AND TRANSFERS TO RESERVES

No dividends are proposed in respect of the year ended 31 January 1997. The profit for the financial year, £2,240,000, will be transferred to reserves.

CHANGES IN FIXED ASSETS

The movement in fixed assets during the year are as set out in notes 10 and 11 to the accounts.

MARKET VALUE OF LAND AND BUILDINGS

In the opinion of the directors, the current market value of land and buildings is considered to be in excess of their book values.

DIRECTORS

The present directors of the company are listed on page 1. Other than as noted, all held office throughout the year under review. No other persons held office as a director at any time during that period.

The articles of association of the company do not require the directors to retire by rotation.

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

None of the directors had any beneficial interest in the shares of the company at any time during the year under review.

PAYMENT POLICY

It is the company's policy to settle all debts with its creditors on a timely basis, taking account of the credit period given by each supplier.

Airwork Limited

Directors' Report

for the year ended 31 January 1997 - continued

EMPLOYEES

Disabled Persons

The company's policy in relation to the employment of disabled persons is:

- (a) In its employee recruitment practices, full consideration is given to employment applications received from disabled persons. Candidates are selected and appointed on the basis of their ability to perform the work in question. Where disabled persons have the aptitudes and abilities necessary for the work, sympathetic consideration is given to their applications. Where necessary, and where possible, special training will be made available to facilitate engagement of the disabled.
- (b) If an employee becomes disabled whilst employed by the company, arrangements will be made wherever possible for their retraining in order to perform a job identified as appropriate to the aptitudes and abilities of the individuals concerned.
- (c) Encouragement is given in the training, career development and promotion of all employees according to opportunities available, organisational requirements and individual aptitude and abilities. This policy includes disabled employees for whom any further necessary training is arranged taking account of their particular needs.

Employee Involvement

The company encourages the involvement of employees in its affairs by regular briefings from management and through consultation with representatives of trade unions.

AUDITORS

Pursuant to section 386 of the Companies Act, 1985, the obligation to appoint an auditor annually was dispensed with. Ernst & Young, having indicated their willingness to do so, will remain as the company's auditors until further notice.

By order of the board



J R Davies
Secretary

4TH AUGUST 1997

Airwork Limited

Directors' Responsibilities and Auditors' Report

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company, and of the profit or loss for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF AIRWORK LIMITED

We have audited the accounts on pages 5 to 15 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 7 to 8.

Respective responsibilities of directors and auditors

As described above, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.


Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give a reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 January 1997 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young

Chartered Accountants and Registered Auditor
Southampton

1997

Airwork Limited
Profit and Loss Account
for the year ended 31 January 1997

	Notes	1997	1996
		£'000	£'000
TURNOVER	2	27,848	29,397
Changes in stocks of finished goods and work in progress		(158)	132
Other operating income	3	65	112
		<u>27,755</u>	<u>29,641</u>
Cost of sales and expenses	4	<u>24,079</u>	<u>24,958</u>
OPERATING PROFIT		3,676	4,683
Investment income	8	710	331
Exceptional item - Profit on disposal of leasehold premises		460	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2, 5	4,846	5,014
Taxation	9	2,606	2,795
RETAINED PROFIT FOR THE YEAR	17	2,240	2,219

There are no recognised gains and losses other than the profit for the financial year of £2,240,000 (1996 - £2,219,000)

Airwork Limited

Balance Sheet at 31 January 1997

	Notes	1997 £'000	1996 £'000
FIXED ASSETS			
Tangible assets	10	470	878
Investments	11	23	25
		<u>493</u>	<u>903</u>
CURRENT ASSETS			
Stocks	12	191	349
Debtors	13	14,503	10,573
Cash at bank and in hand		523	891
		<u>15,217</u>	<u>11,813</u>
CREDITORS: amounts falling due within one year	14	(8,338)	(7,620)
		<u>6,879</u>	<u>4,193</u>
NET CURRENT ASSETS			
		<u>7,372</u>	<u>5,096</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>7,372</u>	<u>5,096</u>
PROVISIONS FOR LIABILITIES AND CHARGES	15	(604)	(568)
		<u>6,768</u>	<u>4,528</u>
NET ASSETS			
		<u><u>6,768</u></u>	<u><u>4,528</u></u>
CAPITAL AND RESERVES			
Called-up share capital	16	20	20
Profit and loss account	17	6,748	4,508
		<u>6,768</u>	<u>4,528</u>
SHAREHOLDERS' FUNDS - EQUITY INTERESTS			
		<u><u>6,768</u></u>	<u><u>4,528</u></u>

The accounts on pages 5 to 15 were approved by the board of directors on *4A August* 1997 and were signed on its behalf by:

Carolyn)
Richard Bentley)
)
)
)
)

Directors

Airwork Limited

Notes to the Accounts

for the year ended 31 January 1997

1. PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently unless otherwise stated, is set out below.

Basis of accounting

The company prepares its accounts on the historical cost basis of accounting.

The company, being a wholly owned subsidiary of another company incorporated in the United Kingdom, is not required to prepare group accounts. The company has utilised the exemptions provided under Financial Reporting Standard 1 and has not prepared a cash flow statement. A cash flow statement is included in the accounts of the UK parent company.

Turnover

Long term contracts

Sales and income on long term contracts which represent a significant proportion of the company's sales, are recognised in accordance with the percentage of completion method of accounting. Degree of completion is determined by comparing the cost incurred to date with the total cost anticipated for the entire contract. The effect of changes to total estimated income for each contract is recognised in the period in which the determination is made and losses if any are fully recognised when anticipated.

Other

Turnover represents the value of goods and services, excluding value added tax, invoiced to outside customers during the period, less returns and before cash discounts and commissions.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value with cost being determined either on the average cost or on the first-in-first-out basis, including, where applicable, appropriate overheads.

Long-term contracts

Losses on long term contracts are provided for immediately they are foreseen and are included in contract provisions in the balance sheet.

Depreciation of tangible fixed assets

Depreciation is provided to reduce the cost of fixed assets in equal monthly instalments over the following periods:

Freehold land	- nil
Freehold buildings	- 6 to 25 years
Short leasehold buildings	- Over the unexpired portion of the lease
Fixtures, fittings, tools, equipment and motor vehicles	- 3 to 10 years

Fixed asset investments

Fixed asset investments are stated at cost unless there has been a permanent diminution in value in which case they are written down.

Airwork Limited

Notes to the Accounts

for the year ended 31 January 1997 - continued

Deferred taxation

Deferred taxation is provided using the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for taxation purposes to the extent that it is probable that a liability will crystallise.

Deferred taxation assets are recognised only if recovery without replacement by equivalent debit balances is reasonably certain.

Translation of foreign currencies

Transactions during the period in foreign currencies are translated into sterling using the temporal method. Under this method, monetary items in the balance sheet are translated at the rates of exchange in effect at the year end and non-monetary items are translated at historical exchange rates. Revenue and expenses (other than depreciation, which is translated at the same rates as the related fixed assets) are translated at the rates in effect on the transaction dates or at the average rates of exchange for the year.

Finance and operating leases

Costs relating to operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

The cost of assets held under finance leases is capitalised within the appropriate tangible fixed asset heading and depreciation is provided in accordance with the company's accounting policy for the category of asset concerned. The interest cost is charged to the profit and loss account over the term of the lease and the capital element of future lease payments is included in creditors.

Pension costs

Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' service.

2. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

An analysis of turnover and segmental information has not been disclosed since, in the opinion of the directors, this would be seriously prejudicial to the interests of the company.

3. OTHER OPERATING INCOME

	1997 £'000	1996 £'000
Interest receivable	30	21
Commission	30	-
Rent receivable	-	6
Exchange gains	-	85
Other	5	-
	<u>65</u>	<u>112</u>

Airwork Limited

Notes to the Accounts

for the year ended 31 January 1997 - continued

4. COST OF SALES AND EXPENSES

	1997 £'000	1996 £'000
Raw materials and consumables	630	1,963
Other external charges	836	832
Staff costs (note 7)	18,573	18,184
Depreciation of tangible fixed assets	143	148
Other operating charges	3,897	3,831
	<u>24,079</u>	<u>24,958</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1997 £'000	1996 £'000
Profit on ordinary activities before taxation is stated after crediting:		
Rent receivable	-	6
Profit on disposal of fixed assets	460	-
	<u>460</u>	<u>6</u>
and after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	143	148
Auditors' remuneration:		
Audit fees	8	36
Taxation & accountancy	3	13
	<u>154</u>	<u>57</u>

6. DIRECTORS' EMOLUMENTS

Directors' emoluments are borne entirely by the parent company.

7. EMPLOYEE INFORMATION

The average weekly number of persons (including executive directors) employed during the period was:

	1997 Number	1996 Number
Management and administration	8	8
Production, distribution and sales	1,463	1,428
	<u>1,471</u>	<u>1,436</u>

Airwork Limited

Notes to the Accounts

for the year ended 31 January 1997 - continued

	1997	1996
	£'000	£'000
Staff costs (for the above persons) amounted to:		
Wages and salaries	18,141	17,764
Social security costs	354	337
Other pension costs (see note 20)	78	83
	<u>18,573</u>	<u>18,184</u>

Wages and salaries are after recharging £3,755,000 (1996 - £3,379,000) of employee costs to the Airwork Vinnell joint venture as a direct cost recovery.

8. INVESTMENT INCOME

	1997	1996
	£'000	£'000
Dividends received from associates	<u>710</u>	<u>331</u>

9. TAXATION

	1997	1996
	£'000	£'000
United Kingdom corporation tax at 33% (1996 - 33%):		
Current	1,379	1,940
Double taxation relief	(1,379)	(1,940)
Overseas taxation	2,665	2,795
(Over)/under-provision in respect of prior years:		
UK corporation tax	(91)	-
Overseas taxation	32	-
	<u>2,606</u>	<u>2,795</u>

Airwork Limited

Notes to the Accounts

for the year ended 31 January 1997 - continued

10. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and equipment £'000	Total £'000
Cost:			
At 1 February 1996	1,497	619	2,116
Additions	-	52	52
Disposals	(782)	(39)	(821)
	<hr/>	<hr/>	<hr/>
At 31 January 1997	715	632	1,347
	<hr/>	<hr/>	<hr/>
Depreciation:			
At 1 February 1996	906	332	1,238
Charge for the year	41	102	143
Disposals	(466)	(38)	(504)
	<hr/>	<hr/>	<hr/>
At 31 January 1997	481	396	877
	<hr/>	<hr/>	<hr/>
Net book value:			
At 31 January 1997	234	236	470
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 January 1996	591	287	878
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The net book value of land and buildings comprises:

	1997 £'000	1996 £'000
Freehold land and buildings	152	190
Leases with 50 years or more unexpired	-	312
Leases with less than 50 years unexpired	82	89
	<hr/>	<hr/>
	234	591
	<hr/> <hr/>	<hr/> <hr/>

11. FIXED ASSET INVESTMENTS

	Subsidiary undertakings £'000	Associated undertakings £'000	Total £'000
Cost at 1 February 1996	2	23	25
Dormant company dissolved	(2)	-	(2)
	<hr/>	<hr/>	<hr/>
Cost at 31 January 1997	-	23	23
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Airwork Limited

Notes to the Accounts

for the year ended 31 January 1997 - continued

Name of undertaking	Principal activity	Country of incorporation or registration	Description of shares held	Proportion of nominal value of shares held
Interests in subsidiary undertakings				
Airwork (Investments) Limited	Investment holding	England & Wales	ordinary	100%
(Application was made on 18 December 1996 for the company to be struck off)				
Interests in associated undertakings				
Technical Support Services (Unst) Limited	Airport management	Scotland	ordinary	49%
Airwork Advanced Group Co WLL	Maintenance & repair of aircraft	Abu Dhabi	ordinary	49%

Airwork Limited is an equal partner in a joint venture, Airwork Vinnell, to undertake certain military support tasks in Oman. The principal place of business of Airwork Vinnell is Seeb Airport, Oman.

The aggregate investment in all associated undertakings under the equity method of valuation was £2,543,000 (1996 - £2,597,000).

The subsidiary and associated undertakings referred to above have financial year ends of 31 December. Management accounts of these undertakings at 31 January 1997 have been used in preparing these accounts.

12. Stocks

	1997 £'000	1996 £'000
Raw materials and consumables	-	8
Work in progress	191	341
	<u>191</u>	<u>349</u>

13. Debtors: amounts falling due within one year:

	1997 £'000	1996 £'000
Trade debtors	6,143	1,633
Amounts owed by parent and fellow subsidiary undertakings	7,487	7,608
Amounts owed by associated undertakings	67	283
Amounts recoverable on contracts	-	164
Other debtors	603	789
Prepayments and accrued income	203	96
	<u>14,503</u>	<u>10,573</u>

Airwork Limited

Notes to the Accounts

for the year ended 31 January 1997 - continued

14. Creditors: amounts falling due within one year:

	1997 £'000	1996 £'000
Trade creditors	685	955
Amounts owed to associated undertakings	646	-
Payments received on account	1,446	869
Corporation tax	-	91
Overseas taxation	2,848	3,086
Other taxation and social security payable	50	51
Other creditors and accruals	2,663	2,568
	<u>8,338</u>	<u>7,620</u>

15. Provisions for liabilities and charges

	Contract provisions £'000
At 1 February 1996	568
Movement during the year	135
Utilised in the year	(94)
Exchange movement	(5)
	<u>604</u>
At 31 January 1997	<u>604</u>

Deferred taxation

Deferred taxation provided in the accounts and the total potential deferred tax asset, net of amounts for which provision has been made, are as follows:

	Amount provided		Total potential asset	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Tax effect of timing differences because of:				
Excess of depreciation over tax allowances	-	-	471	439
Provisions and other timing differences	-	-	224	231
	<u>-</u>	<u>-</u>	<u>695</u>	<u>670</u>
	<u>-</u>	<u>-</u>	<u>695</u>	<u>670</u>

Airwork Limited

Notes to the Accounts

for the year ended 31 January 1997 - continued

16. Called-up share capital

	1997 £'000	1996 £'000
Authorised 20,000 ordinary shares of £1 each	20	20
Alotted, called up and fully paid 20,000 ordinary shares of £1 each	20	20

17. Reconciliation of shareholders' funds and movements on reserves

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 February 1996	20	4,508	4,528
Profit for the year		2,240	2,240
At 31 January 1997	20	6,748	6,768

18. Financial commitments

At 31 January 1997 the company had annual commitments under non-cancellable operating leases as follows:

	1997		1996	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	47	1	19	9
Expiring between two and five years inclusive	-	-	-	7
Expiring in over five years	1	-	1	-
	<u>48</u>	<u>1</u>	<u>20</u>	<u>16</u>

19. Contingent liabilities

Under the terms of an agreement dated 27 August 1993 the company has guaranteed the level of return which will be earned by approved enterprises in the United Arab Emirates. The agreement guarantees a return of 2,258,000 Dirhams (approximately £407,000) in the first three years of the contract, 4,516,000 Dirhams (approximately £814,000) by the end of the fifth year of the contract, and 11,291,000 Dirhams (approximately £2,037,000) by the end of the agreement on 28 May 2001. In the event that the return earned falls below those specified the company will be required to make good the shortfall.

The company has entered into advanced payment guarantees and performance bonds totalling £15,922,000 which expire at various dates. The total amount of these guarantees outstanding at 31 January 1997 was £14,279,000 (1996 - £14,291,000).

Airwork Limited

Notes to the Accounts

for the year ended 31 January 1997 - continued

20. Pension costs

The majority of the company's employees are eligible for membership of the Short Brothers Pension Scheme. Details of that scheme are provided in the accounts of the parent company, Short Brothers PLC.

21. Related Party Transactions

The company has utilised exemptions under Financial Reporting Standard 8, as a wholly owned subsidiary, not to disclose transactions with other group entities.

22. Parent undertaking

The parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member is Bombardier Inc, incorporated in Canada, and the parent undertaking of the smallest such group is Short Brothers PLC, registered in Northern Ireland. At 31 January 1997, Bombardier Inc was the company's ultimate parent undertaking. Accounts of Short Brothers PLC may be obtained from the Company Secretary, PO Box 241, Airport Road, Belfast, BT3 9DZ.