

Registered no: 322249

Airwork

LIMITED



Report and Accounts
for the year ended 31 January 1998

Airwork Limited

Report and Accounts

for the year ended 31 January 1998

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Airwork Limited

Directors' Report

for the year ended 31 January 1998

The directors present their report and the audited accounts for the year ended 31 January 1998.

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. Operating profit increased to £4,014,000 from £3,676,000 despite turnover reducing to £27,153,000 from £27,848,000 for the year ended 31 January 1998.

DIVIDENDS AND TRANSFERS TO RESERVES

No dividends are proposed in respect of the year ended 31 January 1998. The profit for the financial year, £1,301,000, 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 1998 - 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

16th September 1998

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.

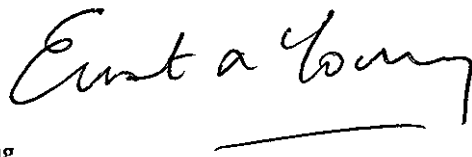
Basis of opinion

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 1998 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

16 September 1998

Airwork Limited
Profit and Loss Account
for the year ended 31 January 1998

	Notes	1998	1997
		£'000	£'000
TURNOVER	2	27,153	27,848
Changes in stocks of finished goods and work in progress		52	(158)
Other operating income	3	5	65
		<u>27,210</u>	<u>27,755</u>
Cost of sales and expenses	4	<u>23,196</u>	<u>24,079</u>
OPERATING PROFIT		4,014	3,676
Investment income	8	219	710
Exceptional item - Profit on disposal of leasehold premises		-	460
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2, 5	4,233	4,846
Taxation	9	2,932	2,606
RETAINED PROFIT FOR THE YEAR	17	1,301	2,240

There are no recognised gains and losses other than the profit for the financial year of £1,301,000 (1997 - £2,240,000)

Airwork Limited

Balance Sheet

at 31 January 1998

	Notes	1998 £'000	1997 £'000
FIXED ASSETS			
Tangible assets	10	365	470
Investments	11	23	23
		<u>388</u>	<u>493</u>
CURRENT ASSETS			
Stocks	12	243	191
Debtors	13	15,987	14,503
Cash at bank and in hand		433	523
		<u>16,663</u>	<u>15,217</u>
CREDITORS: amounts falling due within one year	14	(8,407)	(8,338)
		<u>8,256</u>	<u>6,879</u>
NET CURRENT ASSETS		8,256	6,879
		<u>8,644</u>	<u>7,372</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		8,644	7,372
PROVISIONS FOR LIABILITIES AND CHARGES	15	(575)	(604)
		<u>8,069</u>	<u>6,768</u>
NET ASSETS		8,069	6,768
		<u>8,069</u>	<u>6,768</u>
CAPITAL AND RESERVES			
Called-up share capital	16	20	20
Profit and loss account	17	8,049	6,748
		<u>8,069</u>	<u>6,768</u>
SHAREHOLDERS' FUNDS - EQUITY INTERESTS		8,069	6,768
		<u>8,069</u>	<u>6,768</u>

The accounts on pages 5 to 15 were approved by the board of directors on its behalf by: *16th September* 1998 and were signed on

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Philip S. McBride)
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Directors

Airwork Limited

Notes to the Accounts

for the year ended 31 January 1998

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 1998 - 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

	1998 £'000	1997 £'000
Interest receivable	5	30
Commission	-	30
Other	-	5
	<u>5</u>	<u>65</u>
	<u><u>5</u></u>	<u><u>65</u></u>

Airwork Limited

Notes to the Accounts

for the year ended 31 January 1998 - continued

4. COST OF SALES AND EXPENSES

	1998 £'000	1997 £'000
Raw materials and consumables	110	630
Other external charges	1,080	836
Staff costs (note 7)	17,274	18,573
Depreciation of tangible fixed assets	115	143
Other operating charges	4,617	3,897
	<u>23,196</u>	<u>24,079</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998 £'000	1997 £'000
Profit on ordinary activities before taxation is stated after crediting:		
Profit on disposal of fixed assets	-	460
	<u>-</u>	<u>460</u>
and after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	115	143
Auditors' remuneration:		
Audit fees	11	8
Taxation & accountancy	3	3
	<u>129</u>	<u>154</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:

	1998 Number	1997 Number
Management and administration	11	8
Production, distribution and sales	1,664	1,463
	<u>1,675</u>	<u>1,471</u>

Airwork Limited

Notes to the Accounts

for the year ended 31 January 1998 - continued

	1998 £'000	1997 £'000
Staff costs (for the above persons) amounted to:		
Wages and salaries	16,930	18,141
Social security costs	284	354
Other pension costs (see note 20)	60	78
	<u>17,274</u>	<u>18,573</u>

Wages and salaries are after recharging £4,534,000 (1997 - £3,755,000) of employee costs to the Airwork Vinnell joint venture as a direct cost recovery.

8. INVESTMENT INCOME

	1998 £'000	1997 £'000
Dividends received from associates	<u>219</u>	<u>710</u>

9. TAXATION

	1998 £'000	1997 £'000
United Kingdom corporation tax at 31% (1997 - 33%):		
Current	1,385	1,379
Double taxation relief	(1,385)	(1,379)
Overseas taxation	2,932	2,665
(Over)/under-provision in respect of prior years:		
UK corporation tax	-	(91)
Overseas taxation	-	32
	<u>2,932</u>	<u>2,606</u>

Airwork Limited

Notes to the Accounts

for the year ended 31 January 1998 - continued

10. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and equipment £'000	Total £'000
Cost:			
At 1 February 1997	715	632	1,347
Additions	-	13	13
Disposals	-	(33)	(33)
	<hr/>	<hr/>	<hr/>
At 31 January 1998	715	612	1,327
	<hr/>	<hr/>	<hr/>
Depreciation:			
At 1 February 1997	481	396	877
Charge for the year	29	86	115
Disposals	-	(30)	(30)
	<hr/>	<hr/>	<hr/>
At 31 January 1998	510	452	962
	<hr/>	<hr/>	<hr/>
Net book value:			
At 31 January 1998	205	160	365
	<hr/>	<hr/>	<hr/>
At 31 January 1997	234	236	470
	<hr/>	<hr/>	<hr/>

The net book value of land and buildings comprises:

	1998 £'000	1997 £'000
Freehold land and buildings	130	152
Leases with less than 50 years unexpired	75	82
	<hr/>	<hr/>
	205	234
	<hr/>	<hr/>

11. FIXED ASSET INVESTMENTS

	Associated undertakings £'000	Total £'000
Cost at 1 February 1997	23	23
	<hr/>	<hr/>
Cost at 31 January 1998	23	23
	<hr/>	<hr/>

Airwork Limited

Notes to the Accounts

for the year ended 31 January 1998 - 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 Technical Services & Partners LLC	Maintenance & repair of aircraft	Oman	ordinary	51%
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 £3,425,000 (1997 - £2,543,000).

The associated undertakings referred to above have financial year ends of 31 December. Management accounts of these undertakings at 31 January 1998 have been used in preparing these accounts.

12. Stocks

	1998 £'000	1997 £'000
Raw materials and consumables	6	-
Work in progress	237	191
	<u>243</u>	<u>191</u>

13. Debtors: amounts falling due within one year:

	1998 £'000	1997 £'000
Trade debtors	3,458	6,143
Amounts owed by parent and fellow subsidiary undertakings	10,917	7,487
Amounts owed by associated undertakings	390	67
Other debtors	1,096	603
Prepayments and accrued income	126	203
	<u>15,987</u>	<u>14,503</u>

Airwork Limited

Notes to the Accounts

for the year ended 31 January 1998 - continued

14. Creditors: amounts falling due within one year:

	1998 £'000	1997 £'000
Trade creditors	1,141	685
Amounts owed to associated undertakings	-	646
Payments received on account	1,310	1,446
Overseas taxation	3,410	2,848
Other taxation and social security payable	53	50
Other creditors and accruals	2,493	2,663
	<u>8,407</u>	<u>8,338</u>

15. Provisions for liabilities and charges

	Contract provisions £'000
At 1 February 1998	604
Movement during the year	(28)
Utilised in the year	-
Exchange movement	(1)
	<u>575</u>
At 31 January 1998	<u>575</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	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Tax effect of timing differences because of:				
Excess of depreciation over tax allowances	-	-	478	471
Provisions and other timing differences	-	-	184	224
	<u>-</u>	<u>-</u>	<u>662</u>	<u>695</u>
	<u>-</u>	<u>-</u>	<u>662</u>	<u>695</u>

Airwork Limited

Notes to the Accounts

for the year ended 31 January 1998 - continued

16. Called-up share capital

	1998 £'000	1997 £'000
Authorised 20,000 ordinary shares of £1 each	<u>20</u>	<u>20</u>
Allotted, called up and fully paid 20,000 ordinary shares of £1 each	<u>20</u>	<u>20</u>

17. Reconciliation of shareholders' funds and movements on reserves

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 February 1997	20	6,748	6,768
Profit for the year		1,301	1,301
At 31 January 1998	<u>20</u>	<u>8,049</u>	<u>8,069</u>

18. Financial commitments

At 31 January 1998 the company had annual commitments under non-cancellable operating leases as follows:

	1998		1997	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	25	-	47	1
Expiring between two and five years inclusive	4	-	-	-
Expiring in over five years	8	-	1	-
	<u>37</u>	<u>-</u>	<u>48</u>	<u>1</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 1998 was £11,070,000 (1997 - £14,279,000).

Airwork Limited

Notes to the Accounts

for the year ended 31 January 1998 - 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 1998, 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.