

Airwork Limited

**Directors' report and financial
statements**

Registered number 322249

31 March 2001



Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the auditors to the members of Airwork Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

Directors' report

The directors present their annual report and the audited financial statements for the 14 month period ended 31 March 2001.

Principal activities

The company provides technical support, procurement services and technical training predominantly in the field of military aircraft maintenance and repair.

Review of the business

On 9 June 2000, as part of the acquisition by Vosper Thornycroft of the UK Defence Services business of Bombardier Inc., the whole of the issued share capital of Airwork Limited was purchased by Vosper Thornycroft International Services Limited (a wholly owned subsidiary of Vosper Thornycroft Holdings plc). The effective date of completion was 31 May 2000.

The profit and loss account on page 5 of the financial statements shows a profit for the financial period of £2,793,000 (year to 31 January 2000: £4,344,000).

Dividends

An interim dividend of £1,000,000 was paid in May 2000 (2000: £4,600,000). The directors do not recommend a final dividend (2000: £1,700,000).

Market value of land and buildings

In the opinion of the directors, the market value of the company's properties at 31 March 2001 is not significantly different from the book value shown in the financial statements.

Directors and directors' interests

The directors who held office during the period were as follows:

R K Beasley	resigned 13 November 2000
P S McBride	resigned 7 September 2000
C J Cundy	appointed 9 June 2000
G W Cameron	appointed 7 September 2000

None of the directors who held office at the end of the financial period had any disclosable interest in the shares of the company.

CJ Cundy and GW Cameron are both directors of the company's ultimate parent, Vosper Thornycroft Holdings plc, and their interests in the shares of that company are disclosed in its Annual Report and accounts.

Policy and practice on payment of creditors

The company's policy, in relation to all of its suppliers, is to settle the terms of payment when agreeing the terms of the transaction provided always that it is satisfied the supplier has provided the goods or services in accordance with the agreed terms and conditions. The company does not follow any code or standard on payment practice.

At the period end, there were 23 days (2000: 37 days) purchases in trade creditors.

Directors' report *(continued)*

Employees

Employment of disabled persons

Full and fair consideration is given to employment applications from disabled persons having regard to their particular aptitudes and abilities. So far as is practical, arrangements are made to continue the employment of an individual who becomes disabled. Disabled employees are given fair consideration for training, career development and promotion.

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.

Political and charitable contributions

The company made no political contributions or donations to UK charities during the period.

Auditors

During the period Ernst & Young resigned as the company's auditors and the directors appointed KPMG Audit Plc to fill the casual vacancy arising. A resolution re-appointing KPMG Audit Plc as auditors for the ensuing year will be placed before the Annual General Meeting.

By order of the board



PG Dawes
Secretary

14 May 2001

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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 financial statements, 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 financial statements;
- 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 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 financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

Dukes Keep
Marsh Lane
Southampton SO14 3EX
United Kingdom

Report of the auditors to the members of Airwork Limited

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 reasonable assurance that the financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2001 and of its profit for the 14 month period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

14 May 2001

Profit and loss account
for the 14 month period ended 31 March 2001

	<i>Note</i>	14 months to 31 March 2001	Year to 31 January 2000 Reclassified
		£000	£000
Turnover	2	37,125	31,671
Cost of sales		(33,008)	(28,273)
Gross profit		4,117	3,398
Administrative expenses		(928)	(758)
Operating profit		3,189	2,640
Income from participating interests	6	65	3,477
Income from joint venture undertakings	7	1,193	217
Other interest receivable and similar income	8	214	102
Interest payable and similar charges	9	-	(48)
Profit on ordinary activities before taxation	3-9	4,661	6,388
Tax on profit on ordinary activities	10	(1,868)	(2,044)
Profit on ordinary activities after taxation and for the financial period		2,793	4,344
Dividends on equity shares	11	(1,000)	(6,300)
Retained profit/(loss) for the period		1,793	(1,956)

There are no recognised gains or losses other than the profit for the financial period reported above. There is also no difference between the profit on ordinary activities before taxation or the retained profit for the financial period stated above and their historical cost equivalents.

A statement of movements on reserves is given in note 19.

The above results all relate to continuing operations.

Balance sheet
at 31 March 2001

	<i>Note</i>	31 March 2001		31 January 2000	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	<i>12</i>		323		256
Investments	<i>13</i>		230		235
			<hr/>		<hr/>
			553		491
Current assets					
Stocks	<i>14</i>	146		295	
Debtors	<i>15</i>	4,827		9,392	
Cash at bank and in hand		5,619		1,638	
			<hr/>		<hr/>
Creditors: amounts falling due within one year	<i>16</i>	10,592		11,325	
		(8,398)		(10,971)	
			<hr/>		<hr/>
Net current assets			2,194		354
			<hr/>		<hr/>
Total assets less current liabilities			2,747		845
Provisions for liabilities and charges	<i>17</i>		(844)		(735)
			<hr/>		<hr/>
Net assets			1,903		110
			<hr/> <hr/>		<hr/> <hr/>
Capital and reserves					
Called up share capital	<i>18</i>		20		20
Profit and loss account	<i>19</i>		1,883		90
			<hr/>		<hr/>
Equity shareholders' funds	<i>20</i>		1,903		110
			<hr/> <hr/>		<hr/> <hr/>

These financial statements were approved by the board of directors on 14 May 2001 and were signed on its behalf by:

CJ Cundy
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Following the change of ownership and in line with Vosper Thornycroft practice, the profit and loss account has been drawn up according to the Companies Act 1985 Format 1 whereas in prior years it has been prepared under Format 2.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Vosper Thornycroft Holdings plc it has taken advantage of the exemption contained in FRS 8 *Related party transactions* and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Vosper Thornycroft Holdings plc, within which this company is included, can be obtained from the address given in note 23.

Depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	6 to 25 years
Leasehold land and buildings	-	life of lease
Plant and machinery	-	3 to 10 years

No depreciation is provided on freehold land.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes (continued)

1 Accounting policies (continued)

Pensions

The company participates in the Vosper Thornycroft Holdings plc group pension scheme. The scheme provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the service lives of pensionable employees.

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is 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 anticipated cost 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. Provision is made for any losses as soon as they are foreseen.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

2 Analysis of turnover and profit on ordinary activities before taxation

The company only operates one class of business.

Turnover and profits principally arise from activities and net assets in the Middle East.

Notes (continued)

3 Profit on ordinary activities before taxation

	Period to 31 March 2001 £000	Year to 31 January 2000 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration:		
Audit	23	8
Other services - fees paid to the auditor and its associates	44	10
Depreciation and other amounts written off tangible fixed assets:		
Owned	110	111
Leased	-	7
Profit on sale of fixed assets	(41)	(7)
Exchange (gains) /losses	(90)	6
Hire of plant and machinery - rentals payable under operating leases	40	12
Hire of other assets - operating leases	754	650
Exceptional item - management fee credit note	-	1,259
	-----	-----

4 Remuneration of directors

No directors received any emoluments relating to their services as directors of the company.

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	Period to 31 March 2001	Year to 31 January 2000
Management, supervisory and administration	39	49
Operational and technical	875	896
	-----	-----
	914	945

The aggregate payroll costs of these persons were as follows:

	Period to 31 March 2001 £000	Year to 31 January 2000 £000
Wages and salaries	20,022	16,968
Social security costs	227	148
Other pension costs (note 21)	39	-
	-----	-----
	20,288	17,116

Notes (continued)

6 Income from participating interests

	Period to 31 March 2001 £000	Year to 31 January 2000 £000
Income from associates:		
Airwork Advanced Group Co. WLL	-	3,477
Technical Support Services (Unst) Limited	65	-
	65	3,477
	65	3,477

7 Income from joint venture undertakings

	Period to 31 March 2001 £000	Year to 31 January 2000 £000
Airwork Vinnell	1,193	217
	1,193	217
	1,193	217

8 Other interest receivable and similar income

	Period to 31 March 2001 £000	Year to 31 January 2000 £000
Interest on loans to group companies	-	57
Bank deposits	214	45
	214	102
	214	102

9 Interest payable and similar charges

	Period to 31 March 2001 £000	Year to 31 January 2000 £000
Interest on loans from group companies	-	48
	-	48
	-	48

Notes (continued)

10 Taxation

	Period to 31 March 2001		Year to 31 January 2000	
	£000	£000	£000	£000
<i>UK corporation tax</i>				
Corporation tax for the period at 30%	1,251		2,095	
	1,251		2,095	
Double taxation relief	(1,106)		(1,047)	
		145		1,048
<i>Foreign tax</i>				
Current tax on income for the period	1,658		1,764	
Adjustments in respect of prior periods	65		(768)	
		1,723		996
		1,868		2,044

11 Dividends

	Period to 31 March 2001	Year to 31 January 2000
	£000	£000
Equity shares:		
Interim dividend paid	1,000	4,600
Final dividend proposed	-	1,700
	1,000	6,300
	1,000	6,300

Notes (continued)

12 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Total £000
<i>Cost</i>			
At 1 February 2000	715	583	1,298
Additions	-	154	154
Transfers to group companies	(144)	-	(144)
Transfers from group companies	127	-	127
Adjustment in respect of prior year	-	68	68
Disposals	-	(145)	(145)
	<hr/>	<hr/>	<hr/>
At 31 March 2001	698	660	1,358
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 February 2000	566	476	1,042
Transfers to group companies	(85)	-	(85)
Transfer from group companies	45	-	45
Adjustment in respect of prior year	-	68	68
Charge for period	39	71	110
On disposals	-	(145)	(145)
	<hr/>	<hr/>	<hr/>
At 31 March 2001	565	470	1,035
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2001	133	190	323
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 January 2000	149	107	256
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The net book value of land and buildings comprises:

	31 March 2001	31 January 2000
	£000	£000
Freehold	133	87
Short leasehold	-	62
	<hr/>	<hr/>
	133	149
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

13 Fixed asset investments

	Shares in group undertakings £000	Shares in associated undertakings £000	Total £000
<i>Cost</i>			
At beginning of period	212	23	235
Disposals	-	(5)	(5)
At end of period	212	18	230

The companies in which the company's interest at the period end is more than 20% are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held
<i>Subsidiary undertakings</i>			
Airwork Technical Services and Partners LLC	Oman	Maintenance of aircraft	Ordinary - 51%
<i>Participating interests</i>			
Airwork Advanced Group Co WLL	Abu Dhabi	Maintenance of aircraft	Ordinary - 49%

Airwork Technical Services and Partners LLC and Airwork Advanced Group Co WLL did not trade during the period to 31 March 2001.

Airwork Limited is an equal partner with Vinnell Corp in a joint venture Airwork Vinnell, which undertook certain military tasks for the USAF in Oman and Bahrain and whose principal place of business was Seeb Airport, Oman. It's sole contract was terminated in July 2000.

During the period another associate undertaking, Technical Support Services (Unst) Limited, in which Airwork Limited held a 49% share was voluntarily dissolved.

The aggregate investment in all associated undertakings and joint ventures under the equity method of valuation was £226,000 (2000: £1,197,000)

14 Stocks

	31 March 2001 £000	31 January 2000 £000
Raw materials and consumables	8	-
Finished goods and goods for resale	138	295
	146	295

Notes (continued)

15 Debtors

	31 March 2001 £000	31 January 2000 £000
Trade debtors	4,083	4,536
Amounts owed by group undertakings	83	4,150
Amounts owed by undertakings in which the company has a participating interest	11	-
Other debtors	223	79
Prepayments and accrued income	427	627
	4,827	9,392
	4,827	9,392

16 Creditors: amounts falling due within one year

	31 March 2001 £000	31 January 2000 £000
Payments received on account	954	1,849
Trade creditors	543	431
Amounts owed to group undertakings	-	959
Amounts owed to undertakings in which the company has a participating interest	101	148
Taxation	2,593	2,802
Other taxation and social security	40	35
Other creditors and accruals	4,167	3,047
Dividend proposed	-	1,700
	8,398	10,971
	8,398	10,971

Notes (continued)

17 Provisions for liabilities and charges

	Contract provisions £000
At beginning of period	735
Utilised during period	(155)
Charge for the period	265
Amounts released unused	(1)
	844
At end of period	844

Contract provisions are based on the assessment of future costs and claims with reference to past experience.

There is no liability for deferred taxation at 31 March 2001 (31 January 2000: £Nil). The unprovided deferred tax asset is set out below:

	Unprovided deferred tax asset	
	31 March 2001	31 January 2000
	£000	£000
Difference between accumulated depreciation and amortisation and capital allowances	357	600
Other timing differences	460	221
	817	821
	817	821

18 Called up share capital

	31 March 2001	31 January 2000
	£000	£000
<i>Authorised</i>		
Equity: Ordinary shares of £1 each	20	20
	20	20
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £1 each	20	20
	20	20
	20	20

19 Profit and loss account

	£000
At beginning of period	90
Retained profit for the period	1,793
	1,883
At end of period	1,883

Notes (continued)

20 Reconciliation of movements in shareholders' funds

	Period to 31 March 2001 £000	Year to 31 January 2000 £000
Profit for the financial period	2,793	4,344
Dividends	(1,000)	(6,300)
	1,793	(1,956)
Net addition to/(reduction in) shareholders' funds	110	2,066
Opening shareholders' funds	1,903	110
Closing shareholders' funds	1,903	110

21 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2001		2000	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	45	-	268	-
	45	-	268	-

22 Pension scheme

The company participates in the Vosper Thornycroft Holdings plc group pension scheme. The pension scheme is administered by independent trustees and the funds are separate from the company's finances. The scheme is of the defined benefits type and actuarial valuations are undertaken every three years. The rates at which the company contributes to the scheme have been determined in accordance with the advice of independent qualified actuaries. The latest valuation of the scheme, of which most employees are members, was at 1 April 1998 using the attained age method. The principal assumption in this valuation was that investment returns would be 2.25% higher than the rate of annual pay increases. The market value of the assets was £153 million, and the actuarial value of the assets was sufficient to cover 126% of the benefits accruing to members after allowing for expected future pay increases. The surplus revealed by the actuarial valuation will be spread over the expected remaining service lives of scheme members currently employed by the company.

The pension charge for the period was £39,000 (2000: £Nil) and there was a creditor of £4,000 in the balance sheet at 31 March 2001 representing the difference between the amount charged in the profit and loss account and the amount paid into the pension scheme.

23 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Vosper Thornycroft International Services Limited, incorporated in England and Wales.

The only group in which the results of the company are consolidated is that headed by Vosper Thornycroft Holdings plc, its ultimate parent undertaking. The consolidated accounts of this group are available to the public and may be obtained from the Company Secretary, Vosper Thornycroft Holdings plc, Victoria Road, Woolston, Southampton, SO19 9RR.