

Airwork Limited

Report and Accounts
for the year ended 31 January 1999



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For the year ended 31 January 1999

	Pages
Directors and advisors	1
Directors' report	2 - 3
Directors' responsibilities	4
Auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the accounts	8 - 16

Airwork Limited

Directors and Advisors

Directors R K Beasley
 P S McBride
 Sir RWR McNulty
 A F C Roberts
 C P Crump (resigned 11/12/98)

Secretary J R Davies

Registered office Bournemouth International Airport
 Christchurch
 BH23 6BS

Auditors Ernst & Young
 Wessex House
 19 Threefield Lane
 Southampton
 SO14 3QB

Bankers National Westminster Bank Plc
 1 Princes St
 London
 EC2R 8PA

Airwork Limited

Directors' Report

For the year ended 31 January 1999

The directors present their report and the audited accounts for the year ended 31 January 1999.

RESULTS AND DIVIDENDS

The profit and loss account on page 6 shows a profit for the financial year of £2,397,000 (1998- £1,301,000).

As part of a restructuring of Bombardiers interest in the United Kingdom, the company was sold by Short Brothers Plc to Bombardier Services (UK) Limited. Prior to the sale, a dividend of £8,400,000 was declared and paid.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

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

The company's business progressed satisfactorily during the year under review. Operating profit increased to £4,279,000 from £4,009,000 for the year ended 31 January 1999. New business in the year included a three year contract for £14.3 million with British Aerospace for the maintenance of Hawks and Tucanos in Kuwait. This was previously carried out by an associate company, Airwork Advanced Group. The level of taxation payable has fallen significantly compared to the prior year as this new contract is now understood to be exempt from Kuwaiti taxation.

EVENTS SINCE BALANCE SHEET DATE

In February 1999, the company was notified by their associate company, Airwork Advanced Group Co. WLL, that the Abu Dhabi contract with the U.A.E. Air Force would not be renewed following completion of the original contract on 17th February 1999. This event will result in the repatriation of all employees involved with this contract at a total cost of £1.25 million.

At the year end it was anticipated that the contract would be downsized and as a result a provision of £510,000 was established to cover the costs of relocating part of the work force, and is included in these financial statements.

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.

CREDITOR PAYMENT POLICY AND PRACTICE

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 January 1999, the company had an average of 51 days purchases outstanding in trade creditors.

Airwork Limited

Directors' Report

For the year ended 31 January 1999

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunction. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by the other parties to remedy their own year 2000 issues.

The company is well advanced in the phase of addressing the risks to our business resulting from the date change to the year 2000. The company has assessed the likely impact on our activities and has developed prioritised action plans to deal with the key risks. The costs of implementing these plans will be subsumed into the recurring activities of the departments involved.

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 individual 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.

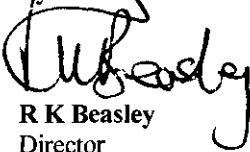
Employee Involvement

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 398 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



R K Beasley
Director

25th August 1999

Airwork Limited

Statement of Directors' Responsibilities in respect of the Accounts

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;
- 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 6 to 16 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4, 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.

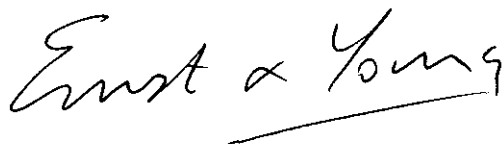
Basis of opinion

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 1999 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young

Registered Auditor

Southampton

25th August, 1999

Airwork Limited
Profit and Loss Account
for the year ended 31 January 1999

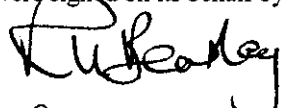
	Notes	1999 £ 000	1998 £ 000
TURNOVER	2	29,796	27,153
Changes in stock of finished goods and work in progress		(198)	52
		<u>29,598</u>	<u>27,205</u>
Cost of sales and expenses	3	25,319	23,196
		<u>25,319</u>	<u>23,196</u>
OPERATING PROFIT	4	4,279	4,009
Profit on disposal of tangible fixed assets		14	-
		<u>4,293</u>	<u>4,009</u>
Investment income	5	211	219
Interest payable	6	14	-
Interest receivable	6	46	5
		<u>271</u>	<u>224</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,536	4,233
Taxation	9	2,139	2,932
		<u>2,139</u>	<u>2,932</u>
PROFIT FOR THE YEAR		2,397	1,301
		<u>2,397</u>	<u>1,301</u>
Dividends – ordinary dividends	10	(8,400)	-
		<u>(8,400)</u>	<u>-</u>
(LOSS) / PROFIT RETAINED FOR THE FINANCIAL YEAR		<u><u>(6,003)</u></u>	<u><u>1,301</u></u>

There were no recognised gains or losses other than the profit for the financial year of £2,397,000 (1998 - £1,301,000).

Airwork Limited
Balance Sheet
at 31 January 1999

	Notes	1999 £ 000	1998 £ 000
FIXED ASSETS			
Tangible assets	11	381	365
Investments	12	235	23
		<hr/> 616	<hr/> 388
CURRENT ASSETS			
Stocks	13	45	243
Debtors	14	17,883	15,987
Cash at bank and in hand		416	433
		<hr/> 18,344	<hr/> 16,663
CREDITORS: amounts falling due within one year	15	(16,205)	(8,407)
		<hr/>	<hr/>
NET CURRENT ASSETS		2,139	8,256
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,755	8,644
		<hr/>	<hr/>
PROVISIONS FOR LIABILITIES AND CHARGES	16	(689)	(575)
		<hr/>	<hr/>
NET ASSETS		2,066	8,069
		<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES			
Called-up share capital	17	20	20
Profit and loss account	18	2,046	8,049
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS - EQUITY INTERESTS		2,066	8,069
		<hr/> <hr/>	<hr/> <hr/>

The accounts on pages 6 to 16 were approved by the board of directors on 25th August 1999 and were signed on its behalf by:


 Philip S. McBride)
)
) Directors
)

Airwork Limited

Notes to the Accounts

For the year to 31 January 1999

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 under FRS 1 and has not prepared a cash flow statement.

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 costs 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.

Stock and work in progress

Stock 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
Plant and Equipment	- 3 to 10 years

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Airwork Limited

Notes to the Accounts

For the year to 31 January 1999

Fixed asset investments

Fixed asset investments are stated at cost. The carrying value of fixed asset investments are reviewed for impairment in periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

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

The company participates in the Short Brothers pension scheme. Contributions to the scheme are charged to the profit and loss account so as to spread the costs of pensions over employees' working lives with the company. They are assessed in accordance with the advice of a qualified actuary on the basis of regular actuarial valuations using the projected unit method. Adjustments arising from experienced gains and losses are amortised over the average remaining service lives of the members.

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.

Airwork Limited
Notes to the Accounts
For the year to 31 January 1999

3. COST OF SALES AND EXPENSES

	1999 £ 000	1998 £ 000
Raw materials and consumables	336	110
Other external charges	1,783	1,080
Staff costs (note 8)	17,989	17,274
Depreciation of tangible fixed assets – owned	121	108
Depreciation of tangible fixed assets - leased	7	7
Other operating charges	5,083	4,617
	<u>25,319</u>	<u>23,196</u>

4. OPERATING PROFIT

	1999 £ 000	1998 £ 000
This is stated after charging:		
Auditors' remuneration:		
- Audit fees	7	11
- Taxation & other non audit services	4	3
Operating lease rentals:		
- Hire of plant and machinery	9	11
- Other	528	45
	<u>528</u>	<u>45</u>

5. INVESTMENT INCOME

	1999 £ 000	1998 £ 000
Dividends received from associates	211	219
	<u>211</u>	<u>219</u>

6. INTEREST (PAYABLE)/RECEIVABLE

	1999 £ 000	1998 £ 000
Bank loans and overdrafts and other loans	14	-
Interest receivable	46	5
	<u>32</u>	<u>5</u>

7. DIRECTORS EMOLUMENTS

Emoluments for Mr R K Beasley, Mr P S McBride and C P Crump were borne entirely by the parent company. Sir R W R McNulty and Mr A F C Roberts received no emoluments related to their services as directors of the company.

Airwork Limited
Notes to the Accounts
For the year to 31 January 1999

8. EMPLOYEE INFORMATION

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

	1999	1998
	Number	Number
Management and administration	35	11
Production, distribution and sales	1,643	1,664
	<u>1,678</u>	<u>1,675</u>

	1999	1998
	£ 000	£ 000
Staff costs (for the above persons) amounted to:		
Wages and salaries	17,735	16,930
Social security costs	254	284
Other pension costs (see note 20)	-	60
	<u>17,989</u>	<u>17,274</u>

9. TAXATION

	1999	1998
	£ 000	£ 000
United Kingdom corporation tax at 31% (1998 – 31%):		
- Current	1,590	1,385
- Double taxation relief	(1,590)	(1,385)
Overseas taxation	2,139	2,932
	<u>2,139</u>	<u>2,932</u>

10. DIVIDENDS

	1999	1998
	£ 000	£ 000
Equity dividend on ordinary shares		
- Interim paid	8,400	-
- Final proposed	-	-
	<u>8,400</u>	<u>-</u>

Airwork Limited
Notes to the Accounts
For the year to 31 January 1999

11. TANGIBLE FIXED ASSETS

	Land and Buildings £ 000	Plant and Equipment £ 000	Total £ 000
Cost:			
At 1 February 1998	715	612	1,327
Additions	-	146	146
Disposals	-	(114)	(114)
	<hr/>	<hr/>	<hr/>
At 31 January 1999	715	644	1,359
	<hr/>	<hr/>	<hr/>
Depreciation:			
At 1 February 1998	510	452	962
Charge for the year	28	101	128
Disposals	-	(113)	(113)
	<hr/>	<hr/>	<hr/>
At 31 January 1999	538	440	978
	<hr/>	<hr/>	<hr/>
Net book value:			
At 31 January 1999	177	204	381
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 January 1998	205	160	365
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The net book value of land and buildings comprises

	1999 £ 000	1998 £ 000
Freehold land and buildings	109	130
Leases with less than 50 years unexpired	68	75
	<hr/>	<hr/>
	177	205
	<hr/> <hr/>	<hr/> <hr/>

Airwork Limited

Notes to the Accounts

For the year to 31 January 1999

12. FIXED ASSET INVESTMENTS

	Subsidiaries	Associated Undertakings	Total
	£ 000	£ 000	£ 000
Cost as 1 February 1998	-	23	23
Additions	212	-	212
Cost at 31 January 1999	212	23	235

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 £4,193,000 (1998 - £3,425,000).

The associated undertakings referred to above have financial year ends of 31 December. Management accounts of these undertakings at 31 January 1999 have been used in preparing these accounts.

13. STOCKS

	1999 £ 000	1998 £ 000
Raw materials and consumables	5	6
Work in progress	40	237
	45	243

Airwork Limited

Notes to the Accounts

For the year to 31 January 1999

14. DEBTORS: amounts falling due within one year:

	1999 £ 000	1998 £ 000
Trade debtors	5,669	3,458
Amounts owed by parent and fellow subsidiary undertakings	11,268	10,917
Amounts owed by associated undertakings	-	390
Other debtors	839	1,096
Prepayments and accrued income	107	126
	<u>17,883</u>	<u>15,987</u>

15. CREDITORS: amounts falling due within one year:

	1999 £ 000	1998 £ 000
Trade creditors	859	1,141
Amounts owed to parent and fellow subsidiary undertakings	5,573	-
Amounts owed to associated undertakings	314	-
Payments received on account	2,974	1,310
Taxation	3,012	3,410
Other taxation and social security payable	47	53
Other creditors and accruals	3,426	2,493
	<u>16,205</u>	<u>8,407</u>

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Contract provisions £ 000
At 1 February 1998	575
Movement during the year	341
Utilised in the year	(227)
	<u>689</u>
At 31 January 1999	<u>689</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	
	1999 £ 000	1998 £ 000	1999 £ 000	1998 £ 000
Tax effect of timing differences because of:				
Excess of depreciation over tax allowances	-	-	435	478
Provisions and other timing differences	-	-	385	184
	<u>-</u>	<u>-</u>	<u>820</u>	<u>662</u>

Airwork Limited
Notes to the Accounts
For the year to 31 January 1999

17. CALLED-UP SHARE CAPITAL

	1999 £ 000	1998 £ 000
Authorised 20,000 ordinary shares of £1 each	20	20
Allotted, called up and fully paid 20,000 ordinary shares of £1 each	20	20

18. 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 1 February 1998	20	8,049	8,069
Profit for the year	-	2,397	2,397
Dividend	-	(8,400)	(8,400)
At 31 January 1999	20	2,046	2,066

19. POST BALANCE SHEET EVENTS

In February 1999, the company was notified by their associate company, Airwork Advanced Group Co. WLL, that the Abu Dhabi contract with the U.A.E. Air Force would not be renewed following completion of the original contract on 17th February 1999. This event will result in the repatriation of all employees involved with this contract at a total cost of £1.25M.

At the year end it was anticipated that the contract would be downsized and as a result a provision of £510,000 was established to cover the costs of relocating part of the work force, and is included in these financial statements.

20. FINANCIAL COMMITMENTS

At 31 January 1999 the company had annual commitments under non-cancellable operating leases as follows:

	1999 Land and buildings £ 000	Other £ 000	1998 Land and buildings £ 000	Other £ 000
Expiring within one year	25	-	25	-
Expiring between two and five years inclusive	19	-	4	-
Expiring in over five years	5	-	8	-
	49	-	37	-

Airwork Limited

Notes to the Accounts

For the year to 31 January 1999

21. 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 Dirham (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 falls below those specified the company will be required to make good the shortfall.

22. PENSION COSTS

The employees participate in the Short Brothers pension scheme. This is a defined benefits scheme which is funded by the payment of contributions to a separately administered trust fund. Contributions to the scheme are determined with the advice of independent qualified actuaries on the basis of regular actuarial valuations using the projected unit method. Contributions made by the employer in the year were £Nil and regular pensions costs are accounts for at a rate of 5.5% both of which are in line with actuarial recommendations.

The most recent actuarial valuation was conducted as at 5 April 1997 and in the valuation it was assumed that:

- (i) the rate of return on investments will exceed the rate of growth of earnings by 3.25% per annum and the rate of price inflation by 4.75% per annum compound.
- (ii) earnings will increase by 1.5% per annum compound in excess of price inflation.

At 5 April 1997 the market value of the assets was £265.3 million and the actuarial value of the assets represented 165% of the value of benefits which had accrued to members after allowing for expected future increases in pensionable earnings. The surplus is being amortised on a straight line basis over the expected average future working lifetime of the membership. On the advice of the pension scheme actuary following an actuarial review at 5 April 1996 the company suspended funding of the scheme. On the basis of a further actuarial review at 5 April 1998 it is unlikely that funding will be required during the next financial year.

23. 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.

24. ULTIMATE PARENT UNDERTAKING

The ultimate 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, a Corporation incorporated in Canada, and the parent undertaking of the smallest such group is Bombardier Aerospace Europe Limited, registered in Great Britain. Published accounts for the former company may be obtained from Bombardier Inc., 29th Floor, 800 Rene-Levesque Blvd. West, Montreal, Quebec, Canada, H3B 1Y8.