

**Airwork Limited**

**Directors' report and financial  
statements**

**Registered number 322249**

**31 March 2002**



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## **Contents**

Directors' report	1
Statement of directors' responsibilities	3
Report of the Independent auditors to the members of Airwork Limited	4
Profit and loss account	5
Balance sheet	6
Reconciliation of movements in shareholders' funds	7
Notes	8

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 March 2002.

### **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**

The profit and loss account on page 5 of the financial statements shows a profit after tax for the year of £2,724,000 (14 months to 31 March 2001: £2,793,000).

The company's contract with the Royal Army of Oman (RAO) expired on 31 May 2000 and was not renewed. A new contract was granted by RAO to Airwork Technical Services & Partners LLC (ATS), an Omani registered subsidiary of Airwork Limited, with effect from 1 June 2000, but as a result of delays and uncertainties in signing the new contract, Airwork Limited continued to undertake the services until 31 March 2001 and the contract results were therefore included in the company's financial statements for the period ended on that date. The RAO contract with ATS was finally signed in June 2001 and the contract results for the year to March 2002 have been recognised in the financial statements of ATS. This has resulted in a reduction of around £2.5 million in the company's turnover compared with the previous period.

### **Dividends**

No interim dividends have been paid during the year (2001: £1,000,000). The directors recommend a final dividend of £500,000 (2001: £nil).

### **Directors and directors' interests**

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

C J Cundy

G W Cameron

None of the directors who held office at the end of the financial year 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 year end, there were 22 days (2001: 23 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.

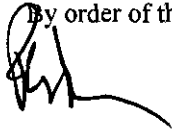
#### **Political and charitable contributions**

The company made no political contributions or donations to UK charities during the year (2001: £nil).

### **Auditors**

In accordance with section 384 of the Companies Act 1985, a resolution re-appointing KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



**PG Dawes**  
*Secretary*

Victoria Road  
Woolston  
Southampton  
SO19 9RR

14 May 2002

## **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 independent auditors to the members of Airwork Limited**

We have audited the financial statements on pages 5 to 17.

**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 1985. 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG Audit Plc**  
*Chartered Accountants  
Registered Auditor  
14 May 2002*

**Profit and loss account**  
 for the year ended 31 March 2002

	<i>Note</i>	<b>Year to 31 March 2002 £000</b>	<b>14 months to 31 March 2001 £000</b>
<b>Turnover</b>	2	31,112	37,125
Cost of sales		(26,778)	(33,008)
<b>Gross profit</b>		4,334	4,117
Administrative expenses		(559)	(928)
<b>Operating profit</b>		3,775	3,189
Income from participating interests	6	-	65
Income from joint venture undertakings	7	-	1,193
Other interest receivable and similar income	8	221	214
Interest payable and similar charges	9	(5)	-
<b>Profit on ordinary activities before taxation</b>	3-5	3,991	4,661
Tax on profit on ordinary activities	10	(1,267)	(1,868)
<b>Profit on ordinary activities after taxation and for the financial period</b>		2,724	2,793
Dividends on equity shares	11	(500)	(1,000)
<b>Retained profit for the period</b>		2,224	1,793

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.

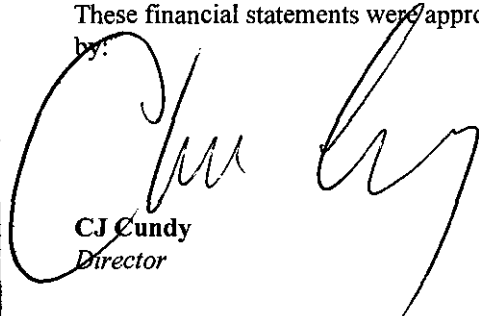
A statement of movements on reserves is given in note 19.

The above results all relate to continuing operations.

**Balance sheet**  
 at 31 March 2002

	Note	2002		2001	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	12		158		323
Investments	13		230		230
			<u>388</u>		<u>553</u>
<b>Current assets</b>					
Stocks	14	66		146	
Debtors	15	7,823		4,827	
Cash at bank and in hand		4,645		5,619	
		<u>12,534</u>		<u>10,592</u>	
<b>Creditors: amounts falling due within one year</b>	16	<u>(7,958)</u>		<u>(8,398)</u>	
<b>Net current assets</b>			<u>4,576</u>		<u>2,194</u>
<b>Total assets less current liabilities</b>			<u>4,964</u>		<u>2,747</u>
<b>Provisions for liabilities and charges</b>	17		<u>(837)</u>		<u>(844)</u>
<b>Net assets</b>			<u>4,127</u>		<u>1,903</u>
<b>Capital and reserves</b>					
Called up share capital	18		20		20
Profit and loss account	19		4,107		1,883
			<u>4,127</u>		<u>1,903</u>
<b>Equity shareholders' funds</b>			<u>4,127</u>		<u>1,903</u>

These financial statements were approved by the board of directors on 14 May 2002 and were signed on its behalf by:



**CJ Cundy**  
 Director



**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 March 2002*

	Year to 31 March 2002 £000	14 months to 31 March 2001 £000
<b>Profit for the financial period</b>	<b>2,724</b>	<b>2,793</b>
Dividends	(500)	(1,000)
<b>Net addition to shareholders' funds</b>	<b>2,224</b>	<b>1,793</b>
Opening shareholders' funds	1,903	110
<b>Closing shareholders' funds</b>	<b>4,127</b>	<b>1,903</b>

## **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.

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 22.

#### ***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
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***

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**

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### **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**

	Year to 31 March 2002 £000	Period to 31 March 2001 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration:		
Audit	20	23
Other services - fees paid to the auditor and its associates	4	44
Depreciation and other amounts written off tangible fixed assets:		
Owned	50	110
Profit on sale of fixed assets	(3)	(41)
Exchange gains	(65)	(90)
Hire of plant and machinery - rentals payable under operating leases	29	40
Hire of other assets - operating leases	662	754
	662	754

**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	
	Year to 31 March 2002	Period to 31 March 2001
Management, supervisory and administration	15	39
Operational and technical	829	875
	844	914

The aggregate payroll costs of these persons were as follows:

	Year to 31 March 2002 £000	Period to 31 March 2001 £000
Wages and salaries	16,548	20,026
Social security costs	130	227
Other pension costs (note 21)	66	39
	16,744	20,292

**Notes (continued)**

**6 Income from participating interests**

	<b>Year to 31 March 2002 £000</b>	<b>Period to 31 March 2001 £000</b>
Income from associates:		
Technical Support Services (Unst) Limited	-	65
	<u>          </u>	<u>          </u>

**7 Income from joint venture undertakings**

	<b>Year to 31 March 2002 £000</b>	<b>Period to 31 March 2001 £000</b>
Airwork Vinnell	-	1,193
	<u>          </u>	<u>          </u>

**8 Other interest receivable and similar income**

	<b>Year to 31 March 2002 £000</b>	<b>Period to 31 March 2001 £000</b>
Bank deposits	221	214
	<u>          </u>	<u>          </u>

**9 Interest payable and similar charges**

	<b>Year to 31 March 2002 £000</b>	<b>Period to 31 March 2001 £000</b>
Interest on loans from group companies	5	-
	<u>          </u>	<u>          </u>

**Notes (continued)**

**10 Taxation**

	Year to 31 March 2002		Period to 31 March 2001	
	£000	£000	£000	£000
<i>UK corporation tax</i>				
Corporation tax for the period at 30%	1,068		1,251	
Double taxation relief	(792)		(1,106)	
		276		145
<i>Foreign tax</i>				
Current tax on income for the period	991		1,658	
Adjustments in respect of prior periods	-		65	
		991		1,723
		1,267		1,868

The tax charge for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Year to 31 March 2002 £000	Period to 31 March 2001 £000
Profit on ordinary activities before tax	3,991	4,661
Profit on ordinary activities multiplied by standard rate in the UK of 30% (2001: 30%)	1,197	1,398
Effects of:		
Double tax relief	(792)	(1,106)
Foreign tax payable	991	1,658
Expenses not deductible for tax purposes	2	4
Capital allowances for period in excess of depreciation	(70)	113
Dividend received from overseas joint venture treated as return of capital	-	(264)
Other timing differences	(61)	65
Current tax charge for the period	1,267	1,868

**Notes (continued)**

**11 Dividends**

	<b>Year to 31 March 2002 £000</b>	<b>Period to 31 March 2001 £000</b>
Equity shares:		
Interim dividend paid	-	1,000
Final dividend proposed	<b>500</b>	-
	<hr/>	<hr/>
	<b>500</b>	<b>1,000</b>
	<hr/> <hr/>	<hr/> <hr/>

**12 Tangible fixed assets**

	<b>Land and buildings £000</b>	<b>Plant and machinery £000</b>	<b>Total £000</b>
<i>Cost</i>			
At 1 April 2001	698	660	1,358
Additions	-	51	51
Transfers to group companies	-	(574)	(574)
Disposals	-	(14)	(14)
	<hr/>	<hr/>	<hr/>
At 31 March 2002	698	123	821
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 April 2001	565	470	1,035
Transfers to group companies	-	(408)	(408)
Charge for year	36	14	50
Disposals	-	(14)	(14)
	<hr/>	<hr/>	<hr/>
At 31 March 2002	601	62	663
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2002	<b>97</b>	<b>61</b>	<b>158</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2001	133	190	323
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The net book value of land and buildings comprises solely of freehold buildings

**Notes (continued)**

**13 Fixed asset investments**

	Shares in group undertakings £000	Shares in associated undertakings £000	Total £000
<i>Cost and net book value</i>			
At beginning and end of year	212	18	230
	<hr/>	<hr/>	<hr/>

The companies in which the company's interest at the year 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 Advanced Group Co WLL did not trade during the year to 31 March 2002.

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. Its sole contract was terminated in July 2000.

The aggregate investment in all associated undertakings and joint ventures under the equity method of valuation was £212,000 (2001: £226,000).

**14 Stocks**

	2002 £000	2001 £000
Raw materials and consumables	10	8
Finished goods and goods for resale	56	138
	<hr/>	<hr/>
	66	146
	<hr/>	<hr/>



**Notes (continued)**

**15 Debtors**

	2002 £000	2001 £000
Amounts recoverable on contracts	41	-
Trade debtors	4,623	4,083
Amounts owed by group undertakings	2,481	83
Amounts owed by undertakings in which the company has a participating interest	12	11
Other debtors	238	223
Prepayments and accrued income	428	427
	7,823	4,827
	7,823	4,827

**16 Creditors: amounts falling due within one year**

	2002 £000	2001 £000
Payments received on account	240	954
Trade creditors	488	543
Amounts owed to undertakings in which the company has a participating interest	99	101
Taxation	3,161	2,593
Other taxation and social security	32	40
Other creditors and accruals	3,438	4,167
Dividend proposed	500	-
	7,958	8,398
	7,958	8,398

**Notes** (continued)

**17 Provisions for liabilities and charges**

	<b>Contract provisions £000</b>
At beginning of year	844
Utilised during year	(171)
Charge for the year	171
Amounts released unused	(7)
	837
At end of year	837

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 2002 (2001: £Nil). The unprovided deferred tax asset is set out below:

	<b>Unprovided deferred tax asset</b>	
	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Difference between accumulated depreciation and amortisation and capital allowances	289	357
Other timing differences	398	460
	687	817
	687	817

**18 Called up share capital**

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
<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

**Notes (continued)**

**19 Profit and loss account**

	£000
At beginning of year	1,883
Retained profit for the year	2,224
	4,107
At end of year	4,107

**20 Commitments**

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

	2002		2001	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	217	-	45	-
	217	-	45	-

**21 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 2001 using the attained age method. The principal assumption in this valuation was that investment returns would be 2% higher than the rate of annual pay increases. The market value of the assets was £182 million, and the actuarial value of the assets was sufficient to cover 120% 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.

Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement Benefits' the scheme will be accounted for by the company when the accounting standard is fully adopted by the company as if the scheme was a defined contribution scheme.

The pension charge for the period was £66,000 (2001: £39,000) and there was a creditor of £9,000 (2001: £4,000) in the balance sheet at 31 March 2002 representing the difference between the amount charged in the profit and loss account and the amount paid into the pension scheme.

**22 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 incorporated in England and Wales. The consolidated accounts of this company are available to the public and may be obtained from the Company Secretary, Vosper Thornycroft Holdings plc, Victoria Road, Woolston, Southampton, SO19 9RR.