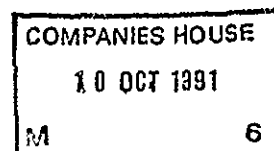


FR AVIATION LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 1990

845310

REGISTERED NUMBER 845310



Contents

Report of the Directors	1 - 2
Accounting Policies	3
Profit and Loss Account	4
Balance Sheet	5
Notes to the Financial Statements	6 - 12
Source and Application of Funds	13
Report of the Auditors	14

Report of the Directors

The directors have pleasure in submitting their report together with the financial statements of the company for the year ended 31 December 1990.

Results for the Year

The company's results for the year are set out in the profit and loss account on page 4. The directors recommend a final dividend of £650,000 (1989 - £380,000) which, together with the interim dividend, makes a total to be paid of £1,000,000 (1989 - £580,000). The profit retained for the year of £1,490,057 (1989 - £1,461,512) has been transferred to reserves.

Principal Activities and Business Review

The principal business of the company continues to be flight operations and aircraft maintenance.

The directors consider that the majority of the business of the company represents a single activity.

Throughout the year the company's fleet of sixteen Falcon 20, two Cessna Conquests and a Beech Baron aircraft continued to perform satisfactorily providing realistic air defence training practice, target towing and silent target services for the Royal Navy.

The company also continued to perform coastal and offshore surveillance for the Ministry of Agriculture, Fisheries and Food using two Dornier and one Islander aircraft.

In the early part of the year the company was awarded a major contract for the modification of VC10 aircraft to in-flight refuelling tankers. Following this award, and in preparation for the first aircraft in 1991 the company actioned a major investment programme expanding its aircraft and overhaul capabilities to provide facilities for large wide body aircraft.

The company during the year continued executive charter operations utilising both Falcon 20 and Cessna Conquest aircraft.

Fixed Assets

The company has continued to pursue its policy of investing in tangible fixed assets as a means of improving its operating capabilities and during the year purchased assets to a value of £5,246,716 (See note 7).

Board of Directors

The following directors held office throughout the year:-

M J Cobham
A G Irwin
C F J Jones
D E Lewis
D E Morgan
P Richardson
R H N Rhodes

Report of Directors continued

ard of Directors (continued)

e directors' shareholdings and interests are shown in note 5 to the financial atements.

sabled Persons

is the policy of the company to endeavour to provide employment for disabled persons, cluding those that become disabled while in the Company's employ. Commensurate with eir skills, such disabled persons receive equal opportunities for training, career velopment and promotion.

editors

ie company's auditors, Price Waterhouse, have signified their willingness to be re- pointed. In accordance with section 386 of the Companies Act 1985, as a result of an ective resolution passed on the 12 March 1991, Price Waterhouse are deemed re-appointed ; auditors to the company for the forthcoming financial year.

/ order of the Board

A handwritten signature in dark ink, appearing to read 'P. Richardson', with a long horizontal flourish extending to the right.

Richardson
cretary

April 1991

Accounting Policies

Accounting Convention

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

Turnover

Turnover is based on the sales value of services provided exclusive of value added tax, together with the sales value of work done on long term contracts.

Deferred Taxation

Provision is made for deferred taxation, using the liability method, unless there is a reasonable probability that it will not become payable within the foreseeable future.

Tangible Fixed Assets

Fixed assets are depreciated on a straight line basis over their estimated useful lives. These lives are as follows:-

Leasehold Properties	50 years
Plant, Machinery, Fixtures, Fittings, Tools and Equipment	3 - 8 years
Aircraft	10 years

Stocks

Stocks and work in progress are stated at the lower of cost, which includes an appropriate proportion of productive and administrative overheads, and net realisable value.

Payments received and receivable on account of work in progress are deducted from the cost of work carried out at the balance sheet date to the extent of the valuation of the work done.

Research and Development

Research and development expenditure not chargeable to customers is written off in the year in which it is incurred.

Foreign Currencies

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the balance sheet date.

Exchange differences are dealt with in the profit and loss account.

Operating Leases

Operating lease payments for assets leased from third parties are charged to the profit and loss account as incurred.

Pensions

Contributions to the group's defined benefit schemes are assessed by a qualified actuary based on the cost of providing pensions across all participating group companies. Costs are not determined for each individual company hence contributions are charged to the profit and loss account in the period in respect of which they become payable.

FR Aviation Limited

Profit and Loss Account
for the year ended 31 December 1990

	Notes	1990 £	1989 £
Turnover	1	31,129,671	25,785,622
Cost of sales		(26,473,451)	(21,476,639)
		-----	-----
Gross Profit		4,656,220	4,308,983
Selling and distribution costs		(305,940)	(328,116)
Administrative expenses		(1,342,868)	(1,161,456)
		-----	-----
Operating Profit	2	3,007,412	2,819,411
Net interest	3	652,444	276,957
Provision for share incentive scheme		(31,424)	(33,074)
Income from shares in group undertakings		70,000	35,000
Income from interests in associated undertakings		15,613	20,101
		-----	-----
Profit on ordinary activities before taxation		3,714,045	3,118,395
Tax on profit on ordinary activities	4	(1,223,988)	(1,076,883)
		-----	-----
Profit for the financial year		2,490,057	2,041,512
Dividends - paid		(350,000)	(200,000)
Dividends - proposed		(650,000)	(380,000)
		-----	-----
Profit retained for the year	15	1,490,057	1,461,512
		-----	-----

FR Aviation Limited
Balance Sheet
as at 31 December 1990

	Notes	1990	1989
		£	£
Fixed Assets			
Tangible assets	7	8,372,154	4,280,475
Investments	8	7	7
Current Assets			
Stocks	9	1,934,380	1,535,256
Debtors	10	4,471,148	6,416,301
Cash at bank and in hand		7,220,902	4,382,180
Creditors: amounts falling due within one year	11	(12,860,548)	(9,720,879)
Net Current Assets		765,882	2,612,858
Total Assets Less Current Liabilities		9,138,043	6,893,340
Creditors: amounts falling due after more than one year	12	(2,894,939)	(2,185,457)
Provisions for Liabilities and Charges	13	(340,023)	(294,859)
		(3,234,962)	(2,480,316)
		5,903,081	4,413,024
Capital and Reserves			
Called up share capital	14	1,000	1,000
Profit and loss account	15	5,902,081	4,412,024
Shareholders' Funds		5,903,081	4,413,024

These financial statements were approved by the board on 29 April 1991 and were signed on its behalf by:-

M J Cobham



1 Director

Notes to the Financial Statements

	1990 £	1989 £
Geographical Analysis of Turnover		
United Kingdom	30,239,448	25,473,878
Other EEC countries	839,897	205,106
America	48,616	106,638
European non EEC countries	1,710	-
	<u>31,129,671</u>	<u>25,785,622</u>

Operating Profit

1990	1989
£	£

The operating profit is after charging:

Depreciation	1,068,081	872,397
Auditors' remuneration	11,800	12,700
Hire of plant and machinery	2,176	2,097
Operating leases	7,168,293	7,880,282
Research and Development	22,459	114,806
Exchange difference	(145,979)	(25,869)

Operating leases relates to aircraft and aircraft equipment. Details of future commitments are given in note 16.

Net Interest

1990	1989
£	£

Interest receivable:

Bank	902,531	503,440
Other	17,498	1,307

Interest payable in respect of:

Bank overdrafts	(1,085)	(414)
Interest paid included within Cost of sales	(266,500)	(227,376)
	<u>652,444</u>	<u>276,957</u>

Taxation

1990	1989
£	£

Based on the results of the year:

UK corporation tax at 34.25% (1989 - 35%)	1,180,536	1,179,871
Deferred taxation	62,014	(102,587)
Restatement of deferred tax provision to 33%	(16,850)	-
Prior year adjustments	(1,712)	(401)
	<u>1,223,988</u>	<u>1,076,883</u>

Notes to the Financial Statements continued

5 Directors

Directors' Shareholdings and Interests

None of the directors held an interest in shares of the company. Interests of Messrs Cobham, Irwin and Jones and their families in shares of the ultimate parent undertaking are disclosed in the financial statements of that company.

	As at 31.12.90 Ordinary Shares	As at 31.12.89 Ordinary Shares
R H N Rhodes	294	201
P Richardson	857	695
D E Morgan	294	201
D E Lewis	3614	3383
	Total No of Ordinary Shares	Options Exercisable between
Executive share option scheme		
R H N Rhodes	46,251	1989-2000
P Richardson	46,251	1989-2000
D E Morgan	46,251	1989-2000
D E Lewis	46,251	1989-2000
Savings related share options scheme		
R H N Rhodes	3,941	1993-1995
P Richardson	2,397	1994-1995
D E Morgan	4,215	1994-1995
D E Lewis	4,025	1991-1995

Directors' emoluments

	1990 £	1989 £
The emoluments of the directors including pension contributions were:	378,706	306,875

The analysis of the directors' emoluments, excluding pension contributions, is:-

Chairman	Nil	Nil
Highest paid director	85,743	74,328

Other directors

	Number	Number
Nil	1	1
From £40,001-£45,000	-	4
From £50,001-£55,000	4	-

FR Aviation Limited

Notes to the Financial Statements continued

5 Employees

	1990	1989
	Number	Number
Average number of employees - UK	321	262
	£	£
Employment costs		
Wages and salaries	6,315,449	4,346,166
Social security costs	526,067	362,199
Other pension costs	437,929	381,087
	<u>7,279,445</u>	<u>5,089,452</u>

Pension

The company participates in group defined benefit schemes providing benefits to certain employees within the FR Group Plc group. The assets are held separately from the group's assets.

The majority of the company's employees are members of the Flight Refuelling Limited Retirement Benefits Plan. The latest actuarial valuation of this scheme was carried out as at 1 April 1988. Details of this valuation are contained in the financial statements of FR Group Plc.

The total pension cost for the company was £437,929 (1989: £381,087).

FR Aviation Limited

Notes to the financial Statements continued

Tangible Fixed Assets

	Land and Buildings Long Leasehold	Plant and Machinery (including Vehicles)	Fixtures, Fittings, Tools and Equipment	Total
	£	£	£	£
Cost				
At 1 January 1990	2,238,150	4,487,390	587,725	7,313,265
Additions	2,479,501	2,457,002	310,213	5,246,716
Disposals	-	(170,711)	-	(170,711)
At 31 December 1990	4,717,651	6,773,681	897,938	12,389,270
Accumulated Depreciation				
At 1 January 1990	(240,543)	(2,459,821)	(332,426)	(3,032,790)
Depreciation for the year	(60,306)	(894,524)	(113,251)	(1,068,081)
Disposals	-	83,755	-	83,755
At 31 December 1990	(300,849)	(3,270,590)	(445,677)	(4,017,116)
Net Book Amount				
At 1 January 1990	1,997,607	2,027,569	255,299	4,280,475
At 31 December 1990	4,416,802	3,503,091	452,261	8,372,154

Capital Commitments

At 31 December 1990 the company had authorised capital expenditure amounting to £375,000 (1989 - £74,000) all of which had been committed with suppliers.

FR Aviation Limited

Notes to the Financial Statements continued

Investments

The company owns the entire issued share capital of £2 each in respect of the following companies, all of which are registered in England:

Flight Refuelling (Services) Limited	- Country of operation - UK
FR Flight Aviation Limited	- Country of operation - UK
FR Flight Operations Limited	- Country of operation - UK

The principal business of Flight Refuelling (Services) Limited is the management of, and the provision of services to airfields. During the year, FR Flight Operations Limited commenced business in trading in aircraft spares. FR Flight Aviation Limited was dormant throughout 1990.

The company also owns 50% of the issued share capital of FR Serco Limited, registered in England. The principal business of FR Serco Limited is the provision of services to airfields.

Group accounts have not been prepared because the company itself is a wholly owned subsidiary of a company registered in England.

Stocks	1990 £	1989 £
Raw materials and consumables	1,687,076	1,320,186
Work in progress	247,304	215,070
	<u>1,934,380</u>	<u>1,535,256</u>

There is no significant difference between the replacement cost and value of stock shown.

10 Debtors

	1990 £	1989 £
Amounts falling due within one year		
Trade debtors	4,132,652	5,942,687
Amounts owed by group undertakings	49,390	149,687
Other debtors	130,972	238,392
Prepayments and accrued income	45,486	15,399
Taxation recoverable	27,035	27,035
Dividends receivable from group undertakings	85,613	43,101
	<u>4,471,148</u>	<u>6,416,301</u>

FR Aviation Limited

Notes to the Financial Statements continued

11 Creditors

	1990 £	1989 £
Amounts falling due within one year		
Payments received on account	1,025,980	-
Trade creditors	8,432,261	6,502,615
Amounts owed to parent undertaking	-	7,966
Amounts owed to group undertakings	344,675	392,471
Other creditors	116,518	94,126
Payroll and other taxes, including social security	883,345	1,040,073
Taxation payable	1,234,386	1,179,871
Accruals and deferred income	173,383	123,757
Unpaid dividends - intergroup	650,000	380,000
	<u>12,860,548</u>	<u>9,720,879</u>

12 Creditors

Amount falling due after more than one year

Intercompany loan	1,007,087	1,007,087
Aircraft maintenance reserves	1,887,852	1,178,370
	<u>2,894,939</u>	<u>2,185,457</u>

The intercompany loan arose from a transfer of assets on 1 January 1985. There is no intention for the loan to be repaid and it does not attract interest.

13 Provisions for Liabilities and Charges

	Deferred Taxation £
At 1 January 1990	294,859
Charge for the year	62,014
Restatement to 33%	(16,850)
At 31 December 1990	<u>340,023</u>

The amount provided represents full provision for accelerated capital allowances.

14 Called Up Share Capital

	1990 £	1989 £
Authorised 1000 ordinary shares of £1	<u>1,000</u>	<u>1,000</u>
Allotted and Fully Paid 1000 ordinary shares of £1	<u>1,000</u>	<u>1,000</u>

FR Aviation Limited

Notes to the Financial Statements continued

15 Profit and Loss Account

	£
At 1 January 1990	4,412,024
Profit retained for the year	1,490,057
At 31 December 1990	5,902,081

16 Operating Leases

At the balance sheet date the Company has the following obligations in respect of operating leases relating to aircraft:-

	£
1991	7,333,414
1992	10,253,639
1993	5,079,048
1994	5,079,048
1995	3,562,982
1996	3,413,569

17 Ultimate Parent Undertaking

The parent undertaking of the smallest and largest groups for which group accounts are prepared is FR Group plc. Copies of its financial statements may be obtained from

Brook Road
Wimborne
Dorset
BH21 2BJ

FR Aviation Limited
Source and Application of Funds
for the year ended 31 December 1990

	1990 £	1989 £
Source of Funds		
Profit on ordinary activities before taxation	3,714,045	3,118,395
Adjustments for items not involving the movement of funds:-		
Depreciation	1,068,081	872,397
Written down value of assets disposed of	86,956	94,911
Total Generated from Operations	4,869,082	4,085,703
Application of Funds		
Purchase of tangible fixed assets	5,246,716	862,353
Taxation paid	1,124,309	1,002,417
Dividends paid	730,000	510,000
	7,101,025	2,374,770
	(2,231,943)	1,710,933
Change in Working Capital		
(Increase) in stock	(399,124)	(687,759)
Decrease/(Increase) in debtors	1,887,368	(355,425)
Increase in creditors	3,580,398	2,152,635
Decrease in amounts owing by group undertakings	53,297	307,754
Decrease/(Increase) in amounts owing by FR Serco Limited	4,488	(9,293)
(Decrease)/increase in amount owing to group undertakings	(55,762)	143,450
	5,070,665	1,551,362
Increase in working capital	2,838,722	3,262,295
Representing:		
Increase in cash at bank and in hand	2,838,722	3,262,295
	2,838,722	3,262,295

FR Aviation Limited
Report of the Auditors

To the Members of FR Aviation Limited

We have audited the financial statements on pages 3 to 13 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 1990 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants

The Quay
30 Channel Way
Ocean Village
Southampton
SO1 1XF

29 April 1991