

FR AVIATION LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1992

845310



COMPANY REGISTRATION NUMBER 845310

FR AVIATION LIMITED

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FR AVIATION LIMITED

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 1992.

RESULTS FOR THE YEAR

The company's results for the year are set out in the profit and loss account on page 6. The directors have approved the payment of an interim dividend amounting to £1,315,000 (1991: £1,250,000). The profit retained for the year of £1,864,000 (1991: £1,762,000) 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's, 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.

The VC10 contract for the modification of aircraft to in-flight refuelling tankers has progressed satisfactorily during the year with two aircraft in work at the year end. The test flight of the first aircraft successfully took place in mid 1992.

The company 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 £2,800,000 (see note 7).

FR AVIATION LIMITED

REPORT OF THE DIRECTORS (Continued)

BOARD OF DIRECTORS

The following directors held office throughout the year:

M J Cobham	D E Morgan
A G Irwin	J R Myers (appointed 1 January 1992)
C F Jones	P Richardson
D E Lewis	R H N Rhodes
M A Leaker (appointed 1 January 1992)	J Blakeley
G F Page (appointed 21 February 1993)	

The directors' shareholdings and interests are shown in note 5 to the financial statements.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Insurance cover for officers of the company has been effected by FR Group Plc.

EMPLOYEE INVOLVEMENT

The directors have for many years encouraged the development of employee involvement in the company by providing information to employees in various ways and by making group employee share schemes available to them.

The process of involvement has been developed over the years by management working with employees in ways which suit their own needs. This involves the publishing of a house newspaper, notice board announcements, management briefings, meetings with elected committees of employees, the holding of social functions and the running of the sports and social club at Wimborne.

Encouragement to promote the performance of the company is given through various group share schemes. Employee share incentive and executive share option schemes have been in existence for some time and a savings related share option scheme was established in 1984.

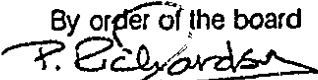
DISABLED PERSONS

It is the policy of the company to endeavour to provide employment for disabled persons, including those that become disabled while in the company's employment. Commensurate with their skills, such disabled persons receive equal opportunities for training, career development and promotion.

AUDITORS

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

By order of the board


P Richardson

Secretary

10 March 1993

Price Waterhouse



REPORT OF THE AUDITORS TO THE MEMBERS OF FR AVIATION LIMITED

We have audited the financial statements on pages 4 to 15 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 1992 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditor

10 March 1993

FR AVIATION LIMITED

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 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.

FR AVIATION LIMITED

ACCOUNTING POLICIES (Continued)

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 1992**

	<u>Note</u>	<u>1992</u> £000	<u>1991</u> £000
TURNOVER	1	37,171	34,899
Cost of sales		<u>(30,768)</u>	<u>(28,921)</u>
GROSS PROFIT		6,403	5,978
Selling and distribution costs		(566)	(463)
Administrative expenses		<u>(2,506)</u>	<u>(1,986)</u>
OPERATING PROFIT	2	3,331	3,529
Income from interests in associated undertakings		400	179
Net interest receivable	3	314	514
Provision for employee profit sharing scheme		(51)	(6)
Income from shares in group undertakings		<u>400</u>	<u>100</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,394	4,316
Tax on profit on ordinary activities	4	<u>(1,215)</u>	<u>(1,304)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,179	3,012
Dividends - interim paid and proposed		<u>(1,315)</u>	<u>(1,250)</u>
RETAINED PROFIT FOR THE YEAR	15	<u>1,864</u>	<u>1,762</u>

The company has no recognised gains or losses other than its profit for the year.

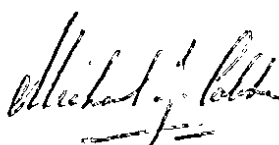
FR AVIATION LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1992

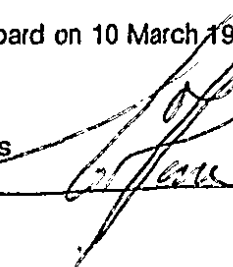
	<u>Note</u>	<u>1992</u> £000	<u>1991</u> £000
FIXED ASSETS			
Tangible assets	7	10,720	9,926
Investments	8	-	-
CURRENT ASSETS			
Stocks	9	3,933	2,915
Debtors: amounts falling due within one year	10	6,096	5,771
: amounts falling due after more than one year	10	1,216	-
Cash at bank and in hand		<u>1,540</u>	<u>7,524</u>
		12,785	16,210
CREDITORS: Amounts falling due within one year	11	<u>(12,183)</u>	<u>(14,397)</u>
NET CURRENT ASSETS		<u>602</u>	<u>1,813</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		11,322	11,739
CREDITORS: Amounts falling due after more than one year	12	(1,793)	(3,578)
PROVISIONS FOR LIABILITIES AND CHARGES	13	-	(496)
		<u>9,529</u>	<u>7,665</u>
CAPITAL AND RESERVES			
Called up share capital	14	1	1
Profit and loss account	15	<u>9,528</u>	<u>7,664</u>
SHAREHOLDERS' FUNDS		<u>9,529</u>	<u>7,665</u>

The financial statements were approved by the board on 10 March 1993 and were signed on its behalf by:

M J Cobham
Director



C F Jones
Director



FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 TURNOVER

	<u>1992</u> £000	<u>1991</u> £000
United Kingdom	35,476	34,546
Other EC countries	1,591	330
United States	53	14
European non EC countries	<u>51</u>	<u>9</u>
	<u>37,171</u>	<u>34,899</u>

2 OPERATING PROFIT

	<u>1992</u> £000	<u>1991</u> £000
The operating profit is stated after charging/(crediting):		
Depreciation	1,554	1,177
Auditors' remuneration		
- in respect of audit	11	11
- other services	3	3
Hire of plant and machinery	13	10
Other operating lease rentals	6,117	7,271
Research and development	63	56
Loss/(profit) on exchange	<u>66</u>	<u>(26)</u>

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

3 NET INTEREST RECEIVABLE

	<u>1992</u> £000	<u>1991</u> £000
Interest receivable:		
Bank	494	843
Other	7	1
Interest received included within cost of sales	<u>(187)</u>	<u>(330)</u>
	<u>314</u>	<u>514</u>

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4	TAX ON PROFIT ON ORDINARY ACTIVITIES	1992	1991
		£000	£000
	Based on the results of the year:		
	UK corporation tax at 33% (1991: 33.25%)	1,129	1,143
	Deferred taxation (note 13)	(523)	156
	Prior year adjustments	609	5
		<u>1,215</u>	<u>1,304</u>

5 DIRECTORS

Directors' shareholdings and interests

None of the directors held an interest in the company's shares.

The interests of M J Cobham, A G Irwin and C F Jones and their families in the shares of the ultimate parent company are disclosed in the financial statements of that company. Interests of the other directors and their families in the ultimate holding company's ordinary shares were:

	At 31 December 1992		At 31 December 1991	
	Shares	Options	Shares	Options
DE Lewis	3,919	60,067	3,788	64,092
DE Morgan	421	71,124	366	67,354
P Richardson	1,073	68,473	980	64,703
RHN Rhodes	421	70,850	366	67,080
J Blakeley	-	29,040	-	-
JR Myers	440	61,230	382	48,220
MA Leaker	468	29,093	407	2,963

The following options were granted during the year:

	Number	Exercise price	Exercise period
D E Morgan	3,770	232.2p	1995 - 2002
P Richardson	3,770	232.2p	1995 - 2002
RHN Rhodes	3,770	232.2p	1995 - 2002
J Blakeley	29,040	232.2p	1995 - 2002
JR Myers	13,010	232.2p	1995 - 2002
MA Leaker	26,130	232.2p	1995 - 2002

No options were exercised during the year.

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 DIRECTORS (Continued)

Directors' emoluments

<u>1992</u>	<u>1991</u>
£000	£000

The emoluments of the directors, including pension contributions, were:

<u>674</u>	<u>475</u>
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The analysis of the directors' emoluments, excluding pension contributions, is:

Chairman

Highest paid director

<u>117</u>	<u>97</u>
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Other directors:

<u>Number</u>	<u>Number</u>
---------------	---------------

£Nil

<u>1</u>	<u>4</u>
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£55,001 - £60,000

<u>1</u>	<u>4</u>
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£60,001 - £65,000

<u>6</u>	<u>-</u>
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6 EMPLOYEES

<u>1992</u>	<u>1991</u>
Number	Number

Average number of employees - UK

<u>500</u>	<u>423</u>
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Employment costs:

£000	£000
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Wages and salaries

9,070	7,265
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Social security costs

897	714
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Other pension costs

<u>708</u>	<u>571</u>
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<u>10,675</u>	<u>8,550</u>
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FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 EMPLOYEES (Continued)

Pensions

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 FR Group Pension Plan. The latest actuarial valuation of this scheme was carried out as at 1 April 1992. Details of this valuation are contained in the financial statements of FR Group plc.

The total pension cost for the company was £707,715 (1991: £570,631).

7 TANGIBLE ASSETS

	Land and Buildings Long <u>Leasehold</u> £000	Plant and Machinery (Including <u>Vehicles</u>) £000	Fixtures, Fittings, Tools and <u>Equipment</u> £000	<u>Total</u> £000
Cost				
At 1 January 1992	5,074	8,559	1,021	14,654
Additions	406	2,210	184	2,800
Disposals	<u>(3)</u>	<u>(843)</u>	<u>(6)</u>	<u>(852)</u>
At 31 December 1992	<u>5,477</u>	<u>9,926</u>	<u>1,199</u>	<u>16,602</u>
Accumulated depreciation				
At 1 January 1992	409	3,730	589	4,728
Charge for the year	112	1,268	174	1,554
Disposals	<u>—</u>	<u>(396)</u>	<u>(4)</u>	<u>(400)</u>
At 31 December 1992	<u>521</u>	<u>4,602</u>	<u>759</u>	<u>5,882</u>
Net book amount				
At 31 December 1992	<u>4,956</u>	<u>5,324</u>	<u>440</u>	<u>10,720</u>
At 1 January 1992	<u>4,665</u>	<u>4,829</u>	<u>432</u>	<u>9,926</u>

Capital commitments

At 31 December 1992 the company had authorised capital expenditure amounting to £90,000 (1991: £70,000) all of which had been committed with suppliers.

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 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 and operate in the United Kingdom.

Flight Refuelling (Services) Limited

FR Flight Aviation Limited

Corporate Air Spares Limited (formerly FR Flight Operations Limited)

The principal business of Flight Refuelling (Services) Limited is the management of, and the provision of services to airfields. Corporate Air Spares Limited trades in aircraft spares. FR Flight Aviation Limited was dormant throughout 1992.

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 financial statements have not been prepared because the company itself is a wholly owned subsidiary of FR Group plc, a company registered in England.

9 STOCKS

	<u>1992</u>	<u>1991</u>
	£000	£000
Raw materials and consumables	4,289	3,231
Work in progress	762	1,210
Payments on account	<u>(1,118)</u>	<u>(1,526)</u>
	<u>3,933</u>	<u>2,915</u>

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

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 DEBTORS

	<u>1992</u>	<u>1991</u>
	£000	£000
Amounts falling due within one year:		
Trade debtors	3,586	3,704
Amounts owed by group undertakings	1,274	1,602
Amounts owed by undertakings in which the company has a participating interest	319	-
Other debtors	96	138
Prepayments and accrued income	8	35
Taxation recoverable	27	27
Dividends receivable from group undertakings	400	265
Dividend receivable from undertakings in which the company has a participating interest	<u>386</u>	<u>-</u>
	6,096	5,771
Amounts falling due after more than one year:		
Amounts owed by group undertakings	1,189	-
Deferred taxation (note 13)	<u>27</u>	<u>-</u>
	<u>7,312</u>	<u>5,771</u>

11 CREDITORS: Amounts falling due within one year

	<u>1992</u>	<u>1991</u>
	£000	£000
Payments received on account	-	1,661
Trade creditors	7,632	9,408
Payroll and other taxes, including social security	1,245	957
Amounts owed to group undertakings	489	220
Amounts owed to undertakings in which the company has a participating interest	31	-
Other creditors	77	80
Accruals and deferred income	52	45
Taxation payable	1,782	1,196
Proposed dividends	<u>875</u>	<u>830</u>
	<u>12,183</u>	<u>14,397</u>

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 CREDITORS: Amounts falling due after more than one year

	<u>1992</u>	<u>1991</u>
	£000	£000
Amount owed to group undertakings	1,007	1,007
Aircraft maintenance reserves	786	649
Accruals and deferred income	<u>-</u>	<u>1,922</u>
	<u>1,793</u>	<u>3,578</u>

The group 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

	£000
Deferred taxation:	
At 1 January 1992	496
Movement in the year (note 4)	<u>(523)</u>
At 31 December 1992 (note 10)	<u>(27)</u>

The amount provided represents full provision as follows:

	<u>1992</u>	<u>1991</u>
	£000	£000
Accelerated capital allowances	475	496
Short term timing differences	<u>(502)</u>	<u>-</u>
	<u>(27)</u>	<u>496</u>

14 CALLED UP SHARE CAPITAL

	<u>1992</u>	<u>1991</u>
	£000	£000
Authorised: 1000 ordinary shares of £1 each	<u>1</u>	<u>1</u>
Allotted and fully paid: 1000 ordinary shares of £1 each	<u>1</u>	<u>1</u>

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15	PROFIT AND LOSS ACCOUNT	£000
	At 1 January 1992	7,664
	Profit retained for the year	<u>1,864</u>
	At 31 December 1992	<u>9,528</u>
16	OPERATING LEASES	
	At the balance sheet date the company has the obligations of £6,236,000 payable in the following year in respect of operating leases relating to aircraft (1991: £7,333,000).	
	Of this amount the commitment expires as follows:	
		<u>1992</u> <u>1991</u>
		£000 £000
	Within one year	- 2,254
	Between one and five years	1,721 5,079
	After five years	<u>4,515</u> -
		<u>6,236</u> <u>7,333</u>
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	
18	CASH FLOW STATEMENT	
	The FR Group plc financial statements for the year ended 31 December 1992 contain a consolidated statement of cash flows. The company has taken advantage of the exemption granted by Financial Reporting Standard 1 whereby it is not required to publish its own cash flow statement.	
19	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	
		<u>1992</u> <u>1991</u>
		£000 £000
	Profit on ordinary activities after taxation	3,179 3,012
	Dividends	<u>(1,315)</u> <u>(1,250)</u>
	Net addition to Shareholders' funds	1,864 1,762
	Opening Shareholders' funds	<u>7,665</u> <u>5,903</u>
	Closing Shareholders' funds	<u>9,529</u> <u>7,665</u>