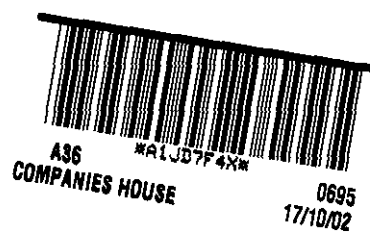


FR AVIATION LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2001

Company registration number 845310



FR AVIATION LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2001

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FR AVIATION LIMITED

REPORT OF THE DIRECTORS

31 DECEMBER 2001

The directors have pleasure in submitting their report, together with the financial statements of the company, for the year ended 31 December 2001.

RESULTS FOR THE YEAR

The company's results for the year are set out in the Profit and Loss account on page 8. The total dividend for the year paid and proposed amounts to £11,000,000 (2000: £29,712,380) comprising as follows:

	<u>2001</u> £	<u>2000</u> £
First interim dividend	1,980,000	1,725,000
Second interim dividend (2000: see note 7)	6,000,000	23,962,380
Final dividend proposed	<u>3,020,000</u>	<u>4,025,000</u>
	<u>11,000,000</u>	<u>29,712,380</u>

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company is the provision of air defence training and aircraft engineering. The company successfully completed year 2 of its 10-year partnering arrangement under which it provides air defence training to UK MoD.

In June 2001 the engine shop activities and the operations surveillance activities were transferred out of FR Aviation Limited into new stand alone companies, FRA Airmotive Limited and FR Aviation Survey Limited, respectively.

In December 2001 the immediate parent company entered into a joint venture agreement with Singapore Technologies Aerospace Limited to undertake aircraft maintenance business in respect of large aircraft types. From July 2002 the joint venture company, Bournemouth Aviation Services Company Limited, commenced trading and the related trade and net assets were transferred to the joint venture at that date.

RESEARCH AND DEVELOPMENT

The company continues to invest in the important area of research and development. The company expended £30,000 (2000: £19,000) during the year.

FR AVIATION LIMITED

REPORT OF THE DIRECTORS (continued)

31 DECEMBER 2001

BOARD OF DIRECTORS

The following directors held office during the year:

A G Irwin	G F Page
G E Roe (resigned 30 June 2002)	P Richardson
R H N Rhodes (resigned 30 September 2001)	B Wallis
M E Cogan	J R Myers (resigned 19 January 2002)
R W J Fletcher	D T Taylor
J Danning (appointed 15 October 2001)	S Fitz-Gerald (appointed 3 December 2001)

The directors' shareholdings and interests are shown in note 8 to the financial statements.

CREDITOR PAYMENT POLICY

It is the policy of the company that all invoices are paid within 30 days following the end of the month in which the invoices are approved. The total amount of the company's trade creditors falling due within one year at 31 December 2001 represents 52 days (2000: 47 days) worth as a proportion of the total amount invoiced by suppliers during the year ended on that date.

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 (see below).

The process of involvement has been developed over the years by management working with employees in ways which suit their needs. This involves notice board announcements, management and team briefings, meetings with elected committees of employees, and the holding of social functions.

SHARE INCENTIVE SCHEME

The company participates in a group share incentive scheme. An amount of £253,381 (2000: £312,000) has been provided out of current year profits, representing the company's contribution to the scheme. The company also participates in a group share option savings scheme.

FR AVIATION LIMITED

REPORT OF THE DIRECTORS (continued)

31 DECEMBER 2001

DISABLED PERSONS

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

CHARITABLE AND POLITICAL DONATIONS

During the year the company made charitable donations of £6,600 (2000: £8,535).

The company has not made any political donations (2000: £nil).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the report of the auditors set out on page 5, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 6 to 23, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed. The financial statements have been prepared on a going concern basis.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors 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.

FR AVIATION LIMITED

REPORT OF THE DIRECTORS (continued)

31 DECEMBER 2001

AUDITORS

In accordance with Section 386 of the Companies Act 1985, as a result of an elective resolution PricewaterhouseCoopers are deemed re-appointed as auditors to the company for the forthcoming financial year.

By order of the board



B Wallis
Company Secretary

9th October 2002

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FR AVIATION LIMITED

We have audited the financial statements on pages 6 to 23, which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

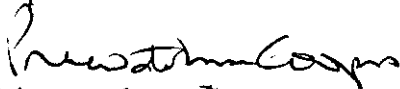
Basis of audit opinion

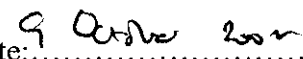
We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Southampton

Date:  2002

FR AVIATION LIMITED

ACCOUNTING POLICIES

31 DECEMBER 2001

ACCOUNTING CONVENTION & BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The company is exempt under section 228 of the companies act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Cobham plc, a company registered in England and Wales.

TURNOVER

Turnover is based on the provision of services and equipment, exclusive of value added tax, together with the sales value of work performed on long term contracts.

LONG TERM CONTRACTS

Long term contracts are accounted for in accordance with the requirements of statement of Standard Accounting Practice 9 - stocks and long term contracts. Profit on a long term contract is calculated on the basis of the percentage completion of the profit-earning proportion of a contract. Any amounts recoverable on contracts, representing the excess of the value of work carried out to the year end, and recorded as turnover, over cumulative payments on account are included in debtors. Cumulative payments on account in excess of the value of work carried out to the year end are shown in creditors.

DEFERRED TAXATION

Provision is made for deferred taxation, using the liability method, where there is a reasonable probability that it will become payable within the foreseeable future.

TANGIBLE FIXED ASSETS

Fixed assets are depreciated on a straight line basis to their estimated residual values over their estimated useful lives, as follows:

Land and buildings (long leasehold)	50 years
Plant, machinery, vehicles and aircraft	3 to 10 years
Fixtures, fittings, tools and equipment	3 to 8 years

FR AVIATION LIMITED

ACCOUNTING POLICIES (continued)

31 DECEMBER 2001

DISCOUNTED BONDS

Discounted Bonds are initially stated at the fair value of the consideration received after deduction of issue costs. Issue costs together with finance costs are charged to the profit and loss account over the term of the bonds and represent a constant proportion of the balance of capital repayments outstanding. Accrued finance charges and issue costs are added to the carrying value of the bonds.

OPERATING LEASES

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

STOCKS

Stocks and work in progress are stated at the lower of cost, which includes an appropriate proportion of production 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

Foreign currency transactions are translated at the rates ruling at the time of the transaction, or where forward contracts have been arranged, at the contracted rates.

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.

PENSIONS

Contributions to the Cobham plc group's funded 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.

INVESTMENTS

Investments are stated at cost less provision for any diminution in value.

FR AVIATION LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2001

	Note	2001	2000
		£000	£000
TURNOVER	1		
Continuing operations		71,249	56,334
Discontinued operations		<u>1,751</u>	<u>3,068</u>
		73,000	59,402
COST OF SALES			
Continuing operations		58,821	44,484
Discontinued operations		<u>1,251</u>	<u>2,284</u>
		(60,072)	(46,768)
GROSS PROFIT			
Continuing operations		12,428	
Discontinued operations		<u>500</u>	
		12,928	12,634
Selling and distribution costs continuing		(2,278)	(1,883)
Administrative expenses continuing		<u>(5,625)</u>	<u>(6,854)</u>
OPERATING PROFIT	2		
Continuing operations		4,525	3,113
Discontinued operations		<u>500</u>	<u>784</u>
		5,025	3,897
Profit on sale of operations - discontinued	3	6,000	-
Profit on sale of subsidiary undertakings	4	-	21,770
Net interest and similar charges	5	<u>(69)</u>	<u>(665)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		10,956	25,002
Tax on profit on ordinary activities	6	<u>(2,010)</u>	<u>(463)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	18, 21	8,946	24,539
Dividends - paid and proposed	7	<u>(11,000)</u>	<u>(29,712)</u>
RETAINED (LOSS) FOR THE FINANCIAL YEAR	18, 21	<u>(2,054)</u>	<u>(5,173)</u>

The company has no recognised gains or losses other than the above profit for the period.

There is no material difference between the results disclosed above and the results on an unmodified historical cost basis.

The notes on pages 10 to 23 form part of these financial statements

FR AVIATION LIMITED

BALANCE SHEET

31 DECEMBER 2001

	Note	2001	2000
		£000	£000
FIXED ASSETS			
Tangible assets	10	14,516	15,598
Investments	11	<u>1,757</u>	<u>1,757</u>
		16,273	17,355
CURRENT ASSETS			
Stocks	12	6,147	10,271
Debtors	13	21,769	14,535
Cash at bank and in hand		<u>210</u>	<u>6,464</u>
		28,126	31,270
CREDITORS: Amounts falling due within one year	14	<u>(17,973)</u>	<u>(20,317)</u>
NET CURRENT ASSETS		<u>10,153</u>	<u>10,953</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		26,426	28,308
CREDITORS: Amounts falling due after more than one year			
Convertible Discounted Bonds due 2003	15	(1,363)	(1,250)
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>(663)</u>	<u>(604)</u>
		<u>(2,026)</u>	<u>(1,854)</u>
		<u>24,400</u>	<u>26,454</u>
CAPITAL AND RESERVES			
Called up share capital	17	1	1
Profit and loss account	18	<u>24,399</u>	<u>26,453</u>
SHAREHOLDERS' FUNDS - ALL EQUITY	21	<u>24,400</u>	<u>26,454</u>

These financial statements were approved by the board on 9th October 2002 and were signed on its behalf by:

P Richardson
Director

R W J Fletcher
Director

The notes on pages 10 to 23 form part of these financial statements

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2001

1	TURNOVER	<u>2001</u>	<u>2000</u>
		£000	£000
	Turnover by destination:		
	United Kingdom	49,171	47,692
	Other EU countries	2,309	3,219
	United States of America	3,596	2,364
	Rest of the World	<u>17,924</u>	<u>6,127</u>
		<u>73,000</u>	<u>59,402</u>

The origin of the company's turnover is the United Kingdom and is derived from the company's principal activities of flight operations and aircraft maintenance.

2	OPERATING PROFIT	<u>2001</u>	<u>2000</u>
		£000	£000

The operating profit is stated after charging/(crediting):

Depreciation	1,828	1,980
Auditors' remuneration - in respect of audit	20	25
- other services	3	58
Hire of plant and machinery	40	25
Other operating lease rentals	5,247	5,271
Research and development	30	19
(Profit) on disposal of fixed assets	(48)	(2)
(Profit)/loss on exchange	<u>(62)</u>	<u>1,279</u>

Other operating lease rentals relate to aircraft and aircraft equipment. Details of future commitments are given in note 19.

3	PROFIT ON TRANSFER OF OPERATIONS	<u>2001</u>	<u>2000</u>
		£000	£000
	Cash consideration	11,020	-
	Stock	(4,936)	-
	Fixed Assets	<u>(84)</u>	-
	Profit on transfer of operations	<u>6,000</u>	-

These notes form part of the financial statements

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2001

3 PROFIT ON TRANSFER OF OPERATIONS (continued)

In June 2001 the engine shop activities and the operations surveillance activities were transferred out of FR Aviation Limited into new stand alone companies, FRA Airmotive Limited and FR Aviation Survey Limited, respectively.

The above profit was in respect of the transfer of the Engine Shop Division of FR Aviation Limited to FRA Airmotive Limited at market value. No tax charge arises in respect of this profit.

4 PROFIT ON SALE OF SUBSIDIARIES	<u>2001</u> £000	<u>2000</u> £000
Cash consideration	-	50,000
Disposal of investment in subsidiary undertakings	<u>-</u>	<u>(28,230)</u>
Profit on sale of subsidiary undertakings	<u>-</u>	<u>21,770</u>

On 21 December 2000, the company sold its interests in the Jet Systems group of companies, FR Aviation Services Limited (formerly FRA Services Limited), Flight Precision Limited, Corporate Air Spares Limited, FR Aviation Survey Limited (formerly Platinum Air Charter Executive Limited), Cobham Aviation Sdn Bhd and Cobham Flight Services Pte for £50,000,000 to its immediate parent undertaking. The cost of the investment in these companies within the company's books was £28,229,757. The company realised a profit on the sale of these investments of £21,770,243.

5 NET INTEREST AND SIMILAR CHARGES	<u>2001</u> £000	<u>2000</u> £000
Interest receivable:		
Bank	160	494
Group undertakings	144	167
Other	<u>-</u>	<u>13</u>
	304	674
Interest payable:		
Finance charges to group undertakings	(113)	(103)
Interest to group undertakings	(53)	(945)
Interest to joint ventures' undertakings	(173)	(291)
Other interest	<u>(34)</u>	<u>-</u>
	<u>(69)</u>	<u>(665)</u>

These notes form part of the financial statements

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2001

6 TAX ON PROFIT ON ORDINARY ACTIVITIES	<u>2001</u>	<u>2000</u>
	£000	£000
Based on the results for the year:		
UK corporation tax at 30% (2000: 30%)	1,586	948
Deferred taxation (note 16)	59	109
Prior year - current tax	<u>365</u>	<u>(594)</u>
	<u>2,010</u>	<u>463</u>
7 DIVIDENDS	<u>2001</u>	<u>2000</u>
	£000	£000
First interim dividend of £1,980 per share (2000: £1,725)	1,980	1,725
Second interim dividend of £6,000 per share (2000: £23,962)	6,000	23,962
Final dividend proposed of £3,020 per share (2000: £4,025)	<u>3,020</u>	<u>4,025</u>
	<u>11,000</u>	<u>29,712</u>

8 DIRECTORS

Directors' shareholdings and interests

None of the directors held an interest in the company's shares or a right to subscribe for such shares.

The interests of G E Roe, G F Page, A G Irwin, P Richardson and S Fitz-Gerald and their families in the shares of the ultimate parent undertaking, Cobham plc, and rights to subscribe for such shares are disclosed in the financial statements of the ultimate or intermediate parent undertakings. Interests of other directors and their families in the ultimate parent undertaking's ordinary shares and rights to subscribe for such shares were:

	<u>At 31 December 2001</u>		<u>At 31 December 2000</u>	
	<u>Shares</u>	<u>Options</u>	<u>Shares</u>	<u>Options</u>
R H N Rhodes	10,767	30,844	10,368	31,167
J R Myers				
Beneficial	6,525	8,832	3,140	44,638
Non-beneficial	100,000	-	175,000	-
B Wallis	463	24,378	403	18,353
M E Cogan	1,011	29,580	119	28,327
D T Taylor	717	4,157	603	1,667
J Danning	3,524	5,640	3,464	3,869
R W J Fletcher	39	23,830	-	8,826

These notes form part of the financial statements

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2001

8 DIRECTORS (continued)

The following options were granted during the year:

	<u>Number</u>	<u>Exercise price</u>	<u>Exercise period</u>
M E Cogan	831	10.83	20.11.04 – 20.10.11
M E Cogan	1,268	8.40	01.02.07 – 01.08.07
D T Taylor	2,770	10.83	20.11.04 – 20.10.11
D T Taylor	323	10.83	20.11.04 – 20.10.11
B Wallis	6,025	10.83	20.11.04 – 20.10.11
J Danning	1,638	10.83	20.11.04 – 20.10.11
J Danning	133	8.40	01.02.07 – 01.08.07

The following options were exercised during the year:

	<u>Number</u>	<u>Exercise price</u>
M E Cogan	846	6.910
J R Myers	1,142	3.150
J R Myers	10,306	8.558
J R Myers	8,065	6.349
J R Myers	12,987	2.660
J R Myers	1,150	1.830
J R Myers	2,156	3.200
R H N Rhodes	323	3.200

Directors' emoluments	<u>2001</u>	<u>2000</u>
	£000	£000
Aggregate emoluments	809	1054
Pension contributions	<u>118</u>	<u>190</u>
	<u>927</u>	<u>1244</u>

Retirement benefits are accruing to seven directors (2000: seven) under group defined benefit schemes.

	<u>2001</u>	<u>2000</u>
	£000	£000
Highest paid director	182	293
Pension contributions	<u>14</u>	<u>63</u>
	<u>196</u>	<u>356</u>

The highest paid director did not exercise any share options in the year.

These notes form part of the financial statements

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2001

9 EMPLOYEES

	<u>2001</u> Number	<u>2000</u> Number
Average number of employees – UK	<u>590</u>	<u>617</u>
	<u>2001</u> £000	<u>2000</u> £000
Employment costs:		
Wages and salaries	17,984	19,799
Social security costs	1,745	1,782
Other pension costs	<u>1,197</u>	<u>1,232</u>
	<u>20,926</u>	<u>22,813</u>

Pensions

The company participates in group funded defined benefit schemes providing benefits to certain employees within the Cobham plc group. The assets are held separately from the group's assets. The majority of the company's employees are members of the Cobham Pension Plan. The latest actuarial valuation of this scheme was carried out as at 1 April 2001. Details of this valuation are contained in the financial statements of Cobham plc, the ultimate parent undertaking. The contributions paid by the company are accounted for as if the scheme were a defined contribution scheme, as the company is unable to identify its share of the underlying assets and liabilities in the Group scheme.

The total pension cost for the company was £1,197,000 (2000: £1,232,000). Contributions are based on pension costs across the group as a whole.

FR AVIATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****31 DECEMBER 2001****10 TANGIBLE FIXED ASSETS**

	Land and Buildings (Long Leasehold) £000	Plant and Machinery, Vehicles and Aircraft £000	Fixtures, Fittings, Tools and Equipment £000	Total £000
Cost				
At 1 January 2001	12,038	16,203	4,465	32,706
Additions	-	1,131	166	1,297
Disposals	-	(3,072)	(942)	(4,014)
At 31 December 2001	<u>12,038</u>	<u>14,262</u>	<u>3,689</u>	<u>29,989</u>
Accumulated depreciation				
At 1 January 2001	1,717	11,821	3,570	17,108
Charge for the year	239	1,201	388	1,828
Disposals	-	(2,570)	(893)	(3,463)
At 31 December 2001	<u>1,956</u>	<u>10,452</u>	<u>3,065</u>	<u>15,473</u>
Net book value				
At 31 December 2001	<u>10,082</u>	<u>3,810</u>	<u>624</u>	<u>14,516</u>
At 31 December 2000	<u>10,321</u>	<u>4,382</u>	<u>895</u>	<u>15,598</u>

Capital commitments

At 31 December 2001 the company had capital expenditure committed with suppliers amounting to £nil (2000: £103,000).

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2001

11 INVESTMENTS

	<u>2001</u> £000	<u>2000</u> £000
Interest in joint ventures at cost		
At 31 December	<u>1,757</u>	<u>1,757</u>
Interest in group undertakings		
At 1 January	-	4,756
Acquisition of shares in the Jet Systems group of companies	-	23,473
Disposal of share capital in FR Aviation Services Limited	-	(4,568)
Disposal of share capital in the Jet Systems group of companies	<u>-</u>	<u>(23,661)</u>
At 31 December	<u>-</u>	<u>-</u>
	<u>1,757</u>	<u>1,757</u>

On 21 December 2000, the company sold its interest in the Jet Systems group of companies, FR Aviation Services Limited (formerly FRA Services Limited), Flight Precision Limited, Corporate Air Spares Limited, FR Aviation Survey Limited (formerly Platinum Air Charter Executive Limited), Cobham Aviation SDN Bhd and Cobham Flight Services Pte for £50,000,000 to its immediate parent undertaking. The cost of the investment in these companies within the company's books was £28,229,757. The company realised a profit on the sale of these investments of £21,770,243.

The investments held at 31 December 2001 are as follows:

Undertaking	Country of Incorporation	Principal Activity	Class and % of shares held
FBS Limited	England	Management of MoD contract	50% ordinary (Joint venture)

These notes form part of the financial statements

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2001

11 INVESTMENTS (continued)

The company's share of its 50% owned Joint Venture company operations for FBS Limited is as follows:

	<u>2001</u> £000	<u>2000</u> £000
Turnover	<u>18,217</u>	<u>17,509</u>
Profit before tax	2,139	1,616
Taxation	<u>(337)</u>	<u>(357)</u>
Profit/(Loss) after tax	<u>1,802</u>	<u>1,259</u>
Fixed assets	28,712	30,627
Current assets	11,908	9,271
Creditors: amounts falling due within one year	(4,350)	(4,055)
Creditors: amounts falling due after more than one year	(29,620)	(26,978)
Provisions for liabilities and charges, accruals and deferred income	<u>(5,816)</u>	<u>(9,833)</u>
	<u>834</u>	<u>(968)</u>

12 STOCKS

	<u>2001</u> £000	<u>2000</u> £000
Raw materials and consumables	3,912	6,236
Work in progress	2,969	4,405
Payments on account	<u>(734)</u>	<u>(370)</u>
	<u>6,147</u>	<u>10,271</u>

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

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2001

13 DEBTORS

	<u>2001</u> £000	<u>2000</u> £000
Amounts falling due within one year:		
Trade debtors	16,019	9,151
Amounts owed by group undertakings	2,596	2,045
Amounts owed by participating interests	147	13
Other debtors	51	31
Prepayments and accrued income	440	705
Corporation tax recoverable	<u>-</u>	<u>133</u>
	<u>19,253</u>	<u>12,078</u>
Amounts falling due after one year:		
Group interest bearing loan to the National Jet Systems group of companies for A\$6,600,000, interest accrued at 8%	<u>2,516</u>	<u>2,457</u>
	<u>21,769</u>	<u>14,535</u>

14 CREDITORS: Amounts falling due within one year

	<u>2001</u> £000	<u>2000</u> £000
Payments received on account	1,308	2,461
Bank overdraft	7	-
Trade creditors	6,634	6,806
Other taxes and social security	641	857
Amounts owed to group undertakings	3,245	93
Amounts owed to participating interests	355	5,763
Other creditors	296	312
Corporation tax	487	-
Proposed dividend	<u>5,000</u>	<u>4,025</u>
	<u>17,973</u>	<u>20,317</u>

These notes form part of the financial statements

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2001

15 CREDITORS: Amounts falling due after more than one year

Convertible Discounted Bonds due 2003

	<u>2001</u>	<u>2000</u>
	£000	£000
Convertible Discounted Bonds due 2003	<u>1,363</u>	<u>1,250</u>

The convertible Discounted Bond due 2003 for £1,007,087 which is issued to the company's ultimate parent undertaking ("Cobham plc") is convertible at the option of Cobham plc on 3 July 2003 into 1,549,528 9% non-redeemable cumulative preference shares of £1 each.

The bond is redeemable at any time after 3 January 2000 through payment by the company of £1,052,406 increasing on a constant yield basis to £1,549,528 on 3 July 2003. At 31 December 2001 the amount payable would have been £1,363,000 (2000: £1,250,000).

In the event of the winding up of the company then the principal amount of the bond (£1,549,528) will become immediately payable less a discount at a rate of 9% per annum on a straight line basis to the principal amount for the number of days still to elapse prior to the redemption date of 3 July 2003. No voting right being conferred on the bond holder and the amount due being treated as an ordinary creditor.

Cobham plc have confirmed to the company that they will not request repayment within one year of the balance sheet date.

16 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation:	£000
At 1 January 2001	604
Movement in the year (note 6)	<u>59</u>
At 31 December 2001	<u>663</u>

The deferred tax provided for represents full provision as follows:

	<u>2001</u>	<u>2000</u>
	£000	£000
Accelerated capital allowances	<u>663</u>	<u>604</u>

These notes form part of the financial statements

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2001

17 CALLED UP SHARE CAPITAL

	<u>2001</u> £	<u>2000</u> £
Authorised		
Ordinary shares of £1 each	1,000	1,000
9% Non-redeemable cumulative preference shares of £1 each	<u>1,549,528</u>	<u>1,549,528</u>
	<u>1,550,528</u>	<u>1,550,528</u>
Allotted, Issued and Fully Paid		
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

The 9% non-redeemable cumulative preference shareholders are entitled to receive a fixed cumulative preferential dividend in priority to the payment of dividends on the ordinary shares. They are entitled to vote at any general meeting, only if a resolution is to be proposed abrogating, varying or modifying any of their rights or privileges. Whenever entitled to vote, every such shareholder shall have one vote in respect of each fully-paid preference share of which they are the registered holder. On a return of capital on a winding up, the preference shareholders are entitled, in priority to any payment to the ordinary shareholders, to the repayment of a sum equal to the nominal amount paid up or credited as paid up or credited as paid up on their shares together with a sum equal to all areas or accruals of the fixed dividends.

18 RESERVES

	Profit & Loss Account £000
At 1 January 2001	26,453
Retained loss for the year	<u>(2,054)</u>
At 31 December 2001	<u>24,399</u>

These notes form part of the financial statements

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2001

19 OPERATING LEASES

At the balance sheet date the company has obligations of £5,092,000 payable in the following year in respect of operating leases relating to aircraft and aircraft equipment (2000: £5,247,000).

Commitments under leases to pay rentals during the year following the year of these accounts are given below, analysed according to the period in which each lease expires.

	<u>2001</u> £000	<u>2000</u> £000
Aircraft and Aircraft equipment		
Expiring within one year	20	5
Expiring during years 1 – 2	-	143
Expiring during years 2 – 5	175	203
Expiring thereafter	<u>4,897</u>	<u>4,896</u>
	<u>5,092</u>	<u>5,247</u>

20 PARENT UNDERTAKING

The company's immediate parent undertaking is FR Aviation Group Limited and its ultimate parent undertaking is Cobham plc, which are registered in England. The smallest and largest group for which group financial statements are prepared is Cobham plc. Copies of its financial statements may be obtained from the secretary, Cobham plc, Brook Road, Wimborne, Dorset BH21 2BJ.

Copies of the financial statements of FR Aviation Group Limited may be obtained from the Secretary, FR Aviation Group Limited, at the same address.

21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2001</u> £000	<u>2000</u> £000
Profit on ordinary activities after taxation	8,946	24,539
Dividends	(11,000)	(29,712)
	—	—
Retained (loss) for the year	(2,054)	(5,173)
	—	—
Net (reduction) to shareholders' funds	(2,054)	(5,173)
Opening shareholders' funds	<u>26,454</u>	<u>31,627</u>
Closing shareholders' funds	<u>24,400</u>	<u>26,454</u>

These notes form part of the financial statements

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2001

22 CASH FLOW STATEMENT AND RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of Cobham plc and is included in the consolidated financial statements of Cobham plc which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1. The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions (but not balances) with entities that are part of the Cobham plc group or investees of the Cobham plc group.

23 CONTINGENT LIABILITY

As at 31 December 2001 FR Aviation Limited, together with the ultimate parent undertaking and fellow subsidiary undertakings, had contingent liabilities in respect of bank guarantees.

In addition the company has entered into a forward exchange contract value £6,794,000 to sell Euros for US Dollars and Pounds Sterling on 22 April 2002.

It is not expected that any material liability will arise in respect of either of the above.

24 GUARANTEE

The company has given its bankers an indemnity in respect of a deferment guarantee given by them on the company's behalf to HM Customs and Excise up to £600,000, and other guarantees to third parties amounting to £2,351,000.

25 RELATED PARTY TRANSACTIONS

Related party transactions during the year ended 31 December 2001 and balances at that date were as follows:

	<u>2001</u>		<u>2000</u>	
	Purchases	Creditor	Purchases	Creditor
	<u>in Year</u>	<u>Balance</u>	<u>in Year</u>	<u>Balance</u>
	£000	£000	£000	£000
FBS Limited	<u>355</u>	<u>355</u>	<u>-</u>	<u>-</u>

These notes form part of the financial statements

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2001

25 RELATED PARTY TRANSACTIONS (continued)

	<u>2001</u>		<u>2000</u>	
	<u>Sales</u> <u>in Year</u>	<u>Debtor</u> <u>Balance</u>	<u>Sales</u> <u>in Year</u>	<u>Debtor</u> <u>Balance</u>
FBS Limited	48	15	51	6
Aviation Defence SA	<u>1,013</u>	<u>132</u>	<u>131</u>	<u>-</u>
	<u>1,061</u>	<u>147</u>	<u>182</u>	<u>6</u>

FBS Limited and Aviation Defence SA are joint venture companies of the Cobham plc group.

The company is controlled by FR Aviation Group Limited, the company's immediate parent undertaking. The ultimate controlling company is Cobham plc. For all other transactions the company has taken advantage of the exemption provided by Paragraph 3(c) of FRS 8 not to disclose transactions with entities that are part of the Cobham plc group.