

FR AVIATION LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2005

Company registration number 845310



FR AVIATION LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2005

CONTENTS

	<u>Page</u>
REPORT OF THE DIRECTORS	1-5
INDEPENDENT AUDITORS' REPORT	6-7
ACCOUNTING POLICIES	8-11
PROFIT AND LOSS ACCOUNT	12
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	13
BALANCE SHEET	14
NOTES TO THE FINANCIAL STATEMENTS	15-30

FR AVIATION LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2005

The directors have pleasure in submitting their report, together with the audited financial statements of the company, for the year ended 31 December 2005.

RESULTS FOR THE YEAR

The company's profit for the year is £2,366,000 (restated 2004: £2,172,000). Dividend instalments in respect of 2004 amounting to £497,000, £450,000 and £497,000 were paid on 30 June 2005, 29 July 2005 and 30 December 2005 respectively. The 2003 interim dividend was paid in 2003.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company is the provision of air defence training and aircraft engineering. During the year the company succeeded in extending its long-term partnering arrangement with the UK MoD out to 31 December 2014. Building on its firm foundations, the company will use 2006 as a platform for growth and will instigate a new Sales and Marketing organisation to help facilitate this.

FINANCIAL RISK MANAGEMENT

Due to the nature of the company's operations and trading environment it has limited exposure to financial risks including price risk, credit risk, liquidity risk, interest rate risk and foreign currency rate risk. The company has in place a risk identification and management programme that is designed to minimise any adverse financial effects on the company's performance as a result of these limited risks.

The Board takes responsibility for monitoring financial risk management and actively implements and adheres to the Cobham Corporate Governance Policy to ensure risks are countered, wherever possible, by good practice and process.

These policies are implemented and enforced by the company's Finance Department.

All financial risk policy procedures are subject to review for appropriateness by the directors on a regular basis.

PRICE RISK

The company is not materially exposed to commodity price risks due to the nature of its trading operations and contract arrangements. In the opinion of the directors the costs of managing the very limited exposure outweigh the benefit potential.

The company is not exposed to equity securities price as it holds no listed investments.

FR AVIATION LIMITED

REPORT OF THE DIRECTORS (continued)

31 DECEMBER 2005

CREDIT RISK

The nature of the company's customer base limits the potential for credit based risk. The minimal level of uncollectible debt confirms the effectiveness of the company's credit check and customer vetting processes. Credit sales will not be entered into until such checks return acceptable results.

LIQUIDITY RISK

The company performs rigorous cash and treasury management functions to forecast liquidity requirements and to ensure sufficient funding is available for current operational requirements. The company also has access to longer-term funding via Cobham plc, its ultimate parent undertaking, should this become necessary.

INTEREST RATE CASH FLOW RISK

Interest bearing assets consist only of cash balances, accruing interest at a floating rate. There are no interest bearing liabilities and hedge accounting is not performed.

FOREIGN EXCHANGE CURRENCY RATE RISK

The company has a policy to minimise foreign exchange currency rate risk through the regular monitoring of foreign currency flows and putting in place currency hedges where appropriate.

BOARD OF DIRECTORS

The following directors held office during the year and to the date of signing the financial statements:

P Richardson	(resigned 21 December 2005)	S J Fitz-Gerald
J Chapman		C J Freeman (resigned 1 December 2005)
D T Taylor		J Danning
A J Hannam	(resigned 21 December 2005)	
D Harrison	(appointed Director 21 December 2005, appointed Secretary 1 August 2006)	
C Granger	(appointed 21 December 2005, resigned 31 July 2006)	

The directors' shareholdings and interests are shown in note 6 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. Payment terms are agreed and communicated when agreeing transaction terms and a written payment policy statement may be obtained from the company's registered office address. The total amount of the company's trade creditors falling due within one year at 31 December 2005 represents 31 days (2004: 29 days) worth as a proportion of the total amount invoiced by suppliers during the year ended on that date.

FR AVIATION LIMITED

REPORT OF THE DIRECTORS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

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.

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 together with quarterly newsletters and use of the intranet.

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

	2005	2004
	£	£
Bournemouth Gilbert & Sullivan Operatic Society	100	100
British Heart Foundation	25	91
Christchurch Infant School	25	55
Christchurch Rowing Club	50	-
The College Foundation	25	-
Comic Relief	463	-
Dorset Children's Hospice	35	-
Jeans for Genes	412	262
Leukaemia Research Fund	100	100
Louise Jones Memorial Fund	250	1,000
MacMillan Cancer Trust	50	-
Pidley Mountain Rescue Team	450	400
RAF St Mawgan Air Traffic Control	100	-
Ringwood Carnival	50	50
Tarrant Valley Players	50	50
The Mayors Charity Ball	150	100
FRA Internal Sponsorship	1,190	1,962
ASBAH Balloon Race	-	230
Assault Glider	-	100
Avonbourne School	-	116
BAE Systems Charity Dinner	-	667
Carried Forward	3,525	5,283

FR AVIATION LIMITED

REPORT OF THE DIRECTORS (continued)

31 DECEMBER 2005

CHARITABLE AND POLITICAL DONATIONS (continued)

	2005	2004
	£	£
Brought forward	3,525	5,283
BBC Children in Need	-	494
Battle of Britain Memorial Flight	-	46
Bournemouth Airport 3 Peaks charity	-	25
Bournemouth Hockey Club Sponsorship	-	350
Cancer Research	-	1,080
Children's Safety Education Foundation	-	369
Darlington Gymnastics Club	-	50
Greenfields Youth Club	-	20
Hospital Radio Bedside Advert	-	235
Leukaemia Busters	-	30
Mayors Goodwill Fund	-	50
New Trafalgar Dispatch	-	200
Phillip Green Memorial Trust	-	50
Project Trust	-	100
Royal British Legion	-	25
Rushcombe First School	-	50
Scientific Exploration Trust	-	50
Scope	-	50
The Access Partnership	-	269
	3,525	8,826

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the report of the auditors set out on page 6 to 7, 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 8 to 30, the company has used appropriate accounting policies supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed. All policies have been consistently applied subject to the exceptions arising on adoption of new accounting standards during the year as reported on page 8 'Accounting Policies'. The financial statements have been prepared on a going concern basis.

FR AVIATION LIMITED

REPORT OF THE DIRECTORS (continued)

31 DECEMBER 2005

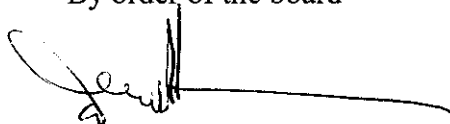
The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have 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.

AUDITORS

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

By order of the board

A handwritten signature in black ink, appearing to be 'D Harrison', followed by a long horizontal line extending to the right.

D Harrison
Secretary

23 / 10 / 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FR AVIATION LIMITED

We have audited the financial statements of FR Aviation Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Accounting Policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF FR AVIATION LIMITED (continued)**

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Southampton

27 October 2006

FR AVIATION LIMITED

ACCOUNTING POLICIES

31 DECEMBER 2005

ACCOUNTING CONVENTION & BASIS OF PREPARATION

These financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and all applicable UK GAAP accounting standards.

The company has taken advantage of S228 of the Companies Act 1985 which allows it to claim an exemption from the need to prepare consolidated financial statements because the company and its investment are included by full consolidation in the consolidated financial statements of its ultimate parent, Cobham plc.

CHANGES IN ACCOUNTING POLICIES

The company has adopted FRS 21: 'Events after the balance sheet date' with effect from 1 January 2005. Comparative results have been restated to reflect this change. The impact of this is reported in note 24.

The company has also adopted FRS 25: 'Financial Instruments – Disclosure and Presentation' with effect from 1 January 2005. Comparative results have been restated accordingly. This has resulted in a reclassification of authorised preference share capital as reported in note 15.

TURNOVER

Turnover is measured at fair value of the right to consideration and is generally recognised when goods are despatched or services delivered and excludes value added tax and other sales taxes. In the case of long term contracts, turnover is recognised based upon the fair value of work performed to date.

EXPENSES

Costs are recognised as incurred following the basis of the matching and accruals concepts of accounting and are measured at cost charged to the company net of value added tax and other such taxes.

OFFSETTING

The company reports assets and liabilities and income and expenses gross. No offsetting is performed.

FR AVIATION LIMITED

ACCOUNTING POLICIES (continued)

31 DECEMBER 2005

PROVISIONS

Where the company is able to sufficiently identify and qualify a potential future liability the company has adhered to FRS 12 in recognising and recording, as appropriate, the financial effect of such items. Discounting is not performed.

LONG TERM CONTRACTS

Long term contracts are accounted for in accordance with the requirements of the Statement of Standard Accounting Practice 9 - Stocks and Long Term Contracts and application note G to Financial Reporting Standard 5 – Reporting the Substance of Transactions. Profit on a long term contract is calculated on the basis of the stage of completion of the contractual obligations of the contract. Any amounts recoverable on contracts, representing the excess of the value of the contractual obligations completed 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 the contractual obligations achieved to the year end are shown in creditors.

DEFERRED TAXATION

Deferred tax is recognised on a full provision basis on all timing differences which have originated, but not reversed, at the balance sheet date calculated at rates of tax expected to apply, based on current tax rates and law. Timing differences represent accumulated differences between the company's taxable profit and its financial profit and arise primarily from the difference between accelerated capital allowances and depreciation. Deferred tax is not discounted. Deferred tax assets are recognised to the extent it is considered more likely than not that they will be recoverable.

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

OPERATING LEASES

Operating lease payments for assets leased from third parties are charged to the profit and loss account on a straight line basis over the life of the lease.

FR AVIATION LIMITED

ACCOUNTING POLICIES (continued)

31 DECEMBER 2005

ESTIMATION TECHNIQUES

In certain circumstances the measurement of values cannot be made with absolute certainty either because absolute costs are unknown, or they require a degree of subjective review. Examples include the calculation of degrees of obsolescence of stock, or degrees of completion against long-term project objectives. In these instances the directors utilise the skills, knowledge and experience of suitably qualified persons to generate appropriate values. All appropriate accounting standards are adhered to in generating such values.

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 are made to the Cobham plc group's funded defined benefit schemes and defined contribution schemes.

The Company contributes to a multi-employer defined benefit pension scheme operated by Cobham plc. Contributions and pension costs are based on pension costs across the scheme as a whole, assessed in accordance with the advice of qualified actuaries. These costs are attributable to individual members of the scheme and contributions are charged to the profit and loss account in the period in which they become payable. The Cobham Pension Plan is now closed to new entrants.

FR AVIATION LIMITED

ACCOUNTING POLICIES (continued)

31 DECEMBER 2005

PENSIONS (continued)

The company has taken advantage of the multi-employer exemption in relation to reporting its pension funding arrangements.

The defined contribution schemes contributions are charged to the profit and loss account in the period in respect of which they become payable. Differences between the contributions payable in the year and actually paid are shown in either accruals or prepayments in the balance sheet.

Pension contributions are reported within Note 7.

FIXED ASSET INVESTMENTS

Investments are stated at cost less provision for any impairment.

FR AVIATION LIMITED**PROFIT AND LOSS ACCOUNT****31 DECEMBER 2005**

	Note	2005 £000	Restated 2004 £000
TURNOVER	1	53,468	58,575
Cost of sales		(42,741)	(49,205)
GROSS PROFIT		10,727	9,370
Selling and distribution costs		(2,701)	(1,903)
Administrative expenses		(5,043)	(4,720)
OPERATING PROFIT	2	2,983	2,747
Interest receivable	3	301	356
Income from fixed asset investments	5, 24	994	5,000
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,278	8,103
Tax on profit on ordinary activities	4	(468)	(931)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	19	3,810	7,172
Dividends	5	(1,444)	(5,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR	16, 19	2,366	2,172

All the company's activities are classed as continuing.

The notes on pages 15 to 30 form part of the financial statements

FR AVIATION LIMITED**STATEMENT OF RECOGNISED GAINS AND LOSSES****31 DECEMBER 2005**

	Note	2005 £000	Restated 2004 £000
PROFIT FOR THE FINANCIAL YEAR		3,810	7,172
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		3,810	7,172
Prior year adjustment – FRS 21	24	(994)	
TOTAL GAINS AND LOSSES RECONGNISED SINCE LAST ANNUAL REPORT		2,816	

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

The notes on pages 15 to 30 form part of the financial statements

FR AVIATION LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2005

	Note	2005 £000	Restated 2004 £000
FIXED ASSETS			
Tangible assets	8	12,956	13,184
Investments	9	1,757	1,757
		14,713	14,941
CURRENT ASSETS			
Stocks	10	7,403	6,353
Debtors	11	7,458	10,256
Cash at bank and in hand		7,480	7,436
		22,341	24,045
CREDITORS: Amounts falling due Within one year	12	(10,444)	(14,751)
NET CURRENT ASSETS		11,897	9,294
TOTAL ASSETS LESS CURRENT LIABILITIES		26,610	24,235
PROVISIONS FOR LIABILITIES AND CHARGES	14	(1,962)	(1,953)
NET ASSETS		24,648	22,282
CAPITAL AND RESERVES			
Called up share capital	15	1	1
Profit and loss account	16	24,647	22,281
EQUITY SHAREHOLDERS' FUNDS	19	24,648	22,282

These financial statements were approved by the board on 23/10/2006 and were signed on its behalf by:

J Chapman
Director



D T Taylor
Director



The notes on pages 15 to 30 form part of the financial statements

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005

1 TURNOVER

	2005 £000	2004 £000
Turnover by destination:		
United Kingdom	51,607	56,889
Other EU countries	924	485
United States of America	47	76
Rest of the world	890	1,125
	53,468	58,575

The origin of the company's turnover is the United Kingdom and is derived from the company's principal activities of air defence training and aircraft engineering.

2 OPERATING PROFIT

	2005 £000	2004 £000
The operating profit is stated after charging/(crediting):		
Depreciation	1,788	1,702
Auditors' remuneration - in respect of audit	26	22
- other services	11	23
Hire of plant and machinery	117	52
Other operating lease rentals – aircraft	3,309	4,851
Other operating lease rentals – land and buildings	465	262
Research and development – current year expenditure	-	6
Loss on disposal of fixed assets	8	9
Loss/(gain) on exchange rate movement	13	(237)

Other details of future operating lease commitments are given in note 17.

These notes form part of the financial statements

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2005

3 INTEREST RECEIVABLE

	2005 £000	2004 £000
Bank Interest receivable	301	356

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005 £000	2004 £000
Current tax:		
UK corporation tax on profit for the period	903	953
Adjustment in respect of previous periods	(308)	22
Double taxation relief	(20)	(90)
	575	885
Overseas taxation suffered	20	90
Total current tax	595	975
Deferred tax:		
Origination and reversal of timing difference	(123)	(18)
Adjustment in respect of previous years	(4)	(26)
Deferred tax (see note 14)	(127)	(44)
Tax on profit on ordinary activities	468	931

The tax assessed for the period is lower (2004: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2005

4 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

	2005 £000	Restated 2004 £000
Profit on ordinary activities before tax	4,278	8,103
Profit on ordinary activities multiplied by standard rate in the UK 30% (2004: 30%)	1,283	2,431
Effects of:		
Dividend income not taxable	(298)	(1,500)
R & D tax credits	(34)	(34)
Expenses not deductible for tax purposes	46	38
Tax deduction available re share options	(173)	-
Accelerated capital allowances	27	(4)
Other timing differences	52	22
Adjustment to tax charge in respect of previous period	(308)	22
	595	975

Based on current capital investment plans, the company expects to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year.

5 DIVIDENDS

	2005 £000	Restated 2004 £000
2004 1 st Interim paid 2004 (£5,000 per share)	-	5,000
2004 2 nd Interim paid 2005 (£1,444 per share)	1,444	-
	1,444	5,000

Following the adoption of FRS 21 "Events after the balance sheet date" dividends have been restated details of which can be seen in note 24.

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2005

6 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 S Fitz-Gerald , J Chapman, C Granger and D Harrison 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 intermediate parent undertaking, FR Aviation Group Limited. 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 2005</u>		<u>At 31 December 2004</u>	
	<u>Shares</u>	<u>Options</u>	<u>Shares</u>	<u>Options</u>
D T Taylor	3,270	129,420	2,160	185,660
J Danning	74,630	190,592	62,780	167,880

The following options were granted during the year:

	Number	<u>Exercise price</u> £	<u>Exercise period</u>
D T Taylor	7,540	1.24	01.02.09 – 01.08.09
D T Taylor	22,430	1.337	11.05.08 – 11.05.15
D T Taylor	8,610	1.337	11.05.08 – 11.05.15
J Danning	31,040	1.337	11.05.08 – 11.05.15
J Danning	2,412	1.24	01.02.09 – 01.08.09

The following options were exercised during the year:

	Number	<u>Exercise price</u> £
D T Taylor	30,930	1.083
D T Taylor	63,890	0.912
J Danning	10,740	0.691

During the annual general meeting of Cobham plc on 8 June 2005, a special resolution was passed to sub-divide the existing ordinary share of 25p each into ten ordinary shares of 2.5p.

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2005

6 DIRECTORS (continued)

Directors' emoluments

	2005 £000	2004 £000
Aggregate emoluments	1,276	1,363
Pension contributions	175	1,142
	1,451	2,505

Retirement benefits are accruing to 4 directors (2004: 6) under group defined benefit schemes and 4 directors (2004: 2) under a defined contribution scheme. The company pays a £88,000 (2004: £17,000) contribution to the defined contribution scheme.

Emoluments of the highest paid director were as follows:

	2005 £000	Restated 2004 £000
Emoluments	391	358
Defined benefit pension scheme; Accrued pension at end of year	12	8
Pension contributions	57	53

The company made contributions of £57,000 (2004: £53,000) to defined contribution schemes in relation to the highest paid director during the year.

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

Prior year amounts have been restated in order to be consistent with current year's disclosures.

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2005

7 EMPLOYEES

	2005 Number	2004 Number
Operational and Engineering Staff	369	373
Administrative Staff	69	68
Selling and Distribution Staff	24	23
Average number of employees	462	464
	2005 £000	2004 £000
Employment costs:		
Wages and salaries	17,610	17,462
Social security costs	1,874	1,808
Other pension costs	2,472	2,513
	21,956	21,783

Pensions

The company participates in group defined contribution schemes and funded defined benefit schemes providing benefits to certain employees within the Cobham plc group.

The defined benefit schemes assets are held in a separate trustee administered fund. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary, the latest effective date of the actuarial assessment of the scheme was 1 April 2004. This assessment was updated to 31 December 2005 at which date the net liabilities of the scheme were assessed to be £63.9m.

As the scheme is a multi-employer scheme the Company is not able to identify its share of underlying assets and liabilities of the scheme. Therefore in accordance with the multi-employer exemption contained in FRS17, the scheme has been accounted for as if it was a defined contribution scheme.

The total pension cost for the company was £2,472,000 (2004: £2,513,000). Contributions are based on pension costs across the Cobham plc group as a whole. As at 31 December there were £37,000 (2004: £37,000) of pension costs accrued.

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2005

8 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 2005	12,005	15,425	4,706	32,136
Additions	-	895	685	1,580
Disposals	-	(192)	(870)	(1,062)
At 31 December 2005	12,005	16,128	4,521	32,654
Accumulated depreciation				
At 1 January 2005	2,671	12,735	3,546	18,952
Charge for the year	240	1,122	426	1,788
Disposals	-	(189)	(853)	(1,042)
At 31 December 2005	2,911	13,668	3,119	19,698
Net book value				
At 31 December 2005	9,094	2,460	1,402	12,956
At 31 December 2004	9,334	2,690	1,160	13,184

Capital commitments

At 31 December 2005 the company had £290,000 expenditure committed with suppliers. (2004: £117,000).

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2005

9 INVESTMENTS

	2005 £000	2004 £000
Interest in joint ventures at cost		
At 31 December	1,757	1,757

The investments held at 31 December 2005 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)

The company's share of its 50% owned joint venture company operations in FBS Limited is as follows:

	2005 £000	Restated 2004 £000
Turnover	22,081	21,042
Profit before tax	2,873	2,821
Taxation	(971)	(847)
Profit after tax	1,902	1,974
Fixed assets	19,975	22,321
Current assets	10,786	10,029
Creditors: amounts falling due within one year	(6,104)	(5,815)
Creditors: amounts falling due after more than one year	(15,562)	(18,073)
Provisions for liabilities and charges, accruals and deferred income	(6,542)	(6,818)
	2,553	1,644

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2005

10 STOCKS

	2005 £000	2004 £000
Raw materials and consumables	4,287	5,027
Work in progress	2,875	1,052
Finished goods for re-sale	241	274
	7,403	6,353

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

11 DEBTORS

	2005 £000	Restated 2004 £000
Amounts falling due within one year:		
Trade debtors	4,993	8,478
Amounts owed by group undertakings	987	1,320
Amounts owed by participating interests	95	66
Prepayments and accrued income	900	392
Corporation tax recoverable	483	-
	7,458	10,256

12 CREDITORS: Amounts falling due within one year

	2005 £000	Restated 2004 £000
Payments received on account	2,294	7,679
Trade creditors	2,728	2,310
Accruals	2,806	2,779
Other taxes and social security	1,389	1,400
Corporation tax payable	-	213
Amounts owed to group undertakings	1,216	362
Amounts owed to participating interests	11	8
	10,444	14,751

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2005

13 PREFERENCE SHARES

	2005 £	2004 £
Authorised: 1,549,528 9% Non-redeemable cumulative preference shares of £1 each	1,549,528	1,549,528

At 31 December 2005 no such shares were in issue (2004: Nil).

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 arrears or accruals of the fixed dividends.

14 PROVISIONS FOR LIABILITIES AND CHARGES

	2005 £000	2004 £000
Deferred taxation	621	748
Other Provisions	1,341	1,205
	1,962	1,953

	At 1 January 2005 £000	Additional Provision £000	Utilised £000	Released to Profit and Loss £000	At 31 December 2005 £000
Relocation provisions under contractual obligations	127	128	(15)	(23)	217
Target Upgrade operating costs	70	-	(70)	-	-
Senior Management Bonus	868	835	(868)	-	835
All Employee Bonus	136	277	(136)	-	277
Other Operating Costs	4	12	(4)	-	12
	1,205	1,252	(1,093)	(23)	1,341

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2005

14 PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Relocation Provisions

A number of employees and directors have been offered relocation benefits on commencement of their positions. The amounts recognised on the balance sheet represent the contracted allowance, less amounts claimed by the individual previously charged to the profit and loss. The amounts recognised are anticipated to be fully utilised by 2007.

Senior Management and All Employee Bonus

These amounts represent company performance related bonus and are expected to be fully utilised within 2006.

Other Operating Costs

These amounts represent a number of anticipated minor operating costs that are expected to be fully utilised during 2006.

Deferred taxation:

	£000
At 1 January 2005	748
Movements charged to Profit & Loss Account:	
Movement in year	(123)
Adjustment in respect of prior periods	(4)
At 31 December 2005	621

The deferred tax provided for represents full provision as follows:

	2005	2004
	£000	£000
Accelerated capital allowances	770	808
Other timing differences	(149)	(60)
	621	748

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2005

15 CALLED UP SHARE CAPITAL

	2005 £	Restated 2004 £
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
Allotted, Issued and Fully Paid		
1,000 Ordinary shares of £1 each	1,000	1,000

The company has adopted FRS 25: 'Financial Instruments – Disclosure and Presentation'. As a result the 9% non-redeemable cumulative preference shares have been reclassified to long term creditors and are now reported within note 13. Comparative values have also been reclassified and reported accordingly.

16 RESERVES

	2005 £000
Profit & Loss account	
At 1 January as previously reported	21,831
Prior year adjustment on adopting FRS 21 (see note 24)	450
At 1 January as restated	22,281
Retained profit for the financial year	2,366
At 31 December	24,647

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2005

17 OPERATING LEASES

At the balance sheet date the company had obligations of £3,944,000 payable in the following year in respect of operating leases relating to aircraft and aircraft equipment and to land and buildings (2004: £5,131,000).

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.

	2005 £000	2004 £000
Plant and Machinery		
Expiring within one year	1	28
Expiring during years 1 – 2	-	25
Expiring during years 2 – 5	461	1,544
Expiring thereafter	3,151	3,229
	3,613	4,826
Land and Buildings		
Expiring within one year	1	9
Expiring during years 1 – 2	53	4
Expiring during years 2 – 5	-	53
Expiring thereafter	277	239
	3,944	5,131

18 PARENT UNDERTAKING

The company is a wholly owned subsidiary of FR Aviation Group Limited and its ultimate parent undertaking is Cobham plc, which are registered in England. The smallest and largest group for which consolidated 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.

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2005

19 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2005	Restated
	£000	2004
		£000
Profit on ordinary activities after taxation	3,810	7,172
Dividends	(1,444)	(5,000)
Net addition to shareholders' funds	2,366	2,172
Opening shareholders' funds as previously stated	21,832	20,110
Prior year adjustment on adopting FRS 21 (see note 24)	450	-
Opening shareholders' funds as restated	22,282	20,110
Closing shareholders' funds	24,648	22,282

20 CASH FLOW STATEMENT

The Cobham plc financial statements for the year ended 31 December 2005 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.

21 CONTINGENT LIABILITY

As at 31 December 2005 the company, together with the ultimate parent undertaking and fellow subsidiary undertakings, had contingent liabilities in respect of bank guarantees.

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

22 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 £1,970,000.

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2005

23 RELATED PARTY TRANSACTIONS

The company has undertaken transactions, with the following related parties, at arm's length basis, during the year ended 31 December 2005 and balances at that date were as follows:

	Purchases in Year £000	2005 Creditor Balance £000	Purchases in Year £000	2004 Creditor Balance £000
Bournemouth Aviation Services Company Limited	41	11	133	8
	Sales in Year £000	2005 Debtor Balance £000	Sales in Year £000	2004 Debtor Balance £000
Bournemouth Aviation Services Company Limited	228	69	287	39
FB Heliservices Limited	68	6	73	13
Aviation Défense SA	151	20	30	14
	447	95	390	66

FR Aviation received £994,000 of dividend income from its investment in FBS Limited, a joint venture with Bristow Helicopters Ltd, in the year to 31 December 2005 (2004: £5,000,000).

No amounts have been written off during the period, nor any doubtful debt provisions considered necessary.

FB Heliservices Limited and Aviation Défense SA are joint venture companies of the FRA Aviation Group Ltd.

Bournemouth Aviation Services Company Limited was an associate of FR Aviation Group Limited. Its holding of 40% of the allotted share capital of Bournemouth Aviation Services Company Limited was reduced to 19% effective 1 April 2004.

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.

FR AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2005

24 PRIOR YEAR ADJUSTMENTS

Adjustments have been made to reflect the adoption of FRS 21. This has required the removal of dividends declared receivable of £994,000 and dividends declared payable of £1,444,000 from the Profit and Loss Account for the year ended 31 December 2004. There is a resulting increase adjustment to the retained earnings for the year ended 31 December 2004 and the opening shareholders' funds for the year ended 31 December 2005 of £450,000.

There were no dividends proposed but unpaid for the year ended 31 December 2003. As such no adjustment is required to the opening reserves for 1 January 2004.

	Profit for the year after dividends £000	Net Assets £000
At 31 December 2004 as previously reported	1,722	21,832
Effect of change in timing of dividend income	(994)	(994)
Effect of change in timing of dividend payment	1,444	1,444
At 31 December 2004 as restated	2,172	22,282