

FR Aviation Limited
Annual report and accounts
for the year ended 31 December 2013

Registered number 845310



FR Aviation Limited
Annual report and accounts
for the year ended 31 December 2013

Contents

Directors' report for the year ended 31 December 2013	1
Strategic report for the year ended 31 December 2013	3
Independent auditors' report to the members of FR Aviation Limited	5
Statement of accounting policies	7
Profit and loss account for the year ended 31 December 2013	10
Balance sheet as at 31 December 2013	11
Notes to the financial statements for the year ended 31 December 2013	12

FR Aviation Limited

Directors' report for the year ended 31 December 2013

The directors have pleasure in submitting their report, together with the strategic report and the audited financial statements of FR Aviation Limited ("the Company") for the year ended 31 December 2013. The Company is a wholly owned subsidiary of Cobham plc and trades under the name "Cobham Aviation Services".

Results and dividends

The Company's results for the year are set out in the profit and loss account on page 10 showing a profit for the financial year after tax of £4,664,000 (2012: £3,810,000). At 31 December 2013, the Company had net assets of £33,689,000 (2012: £29,571,000). A review of the Company's business during the year, together with information on the Company's involvement in research and development, risks and uncertainties, financial risk management and events since the balance sheet date are provided in the strategic report on pages 3 to 4.

Dividends paid and proposed are as set out in note 9.

Directors

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

P Nottage	
P Armstrong	(also Company Secretary)
R Pendle	appointed 14 January 2014, resigned 11 August 2014

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report, the strategic report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FR Aviation Limited

Directors' report for the year ended 31 December 2013 (continued)

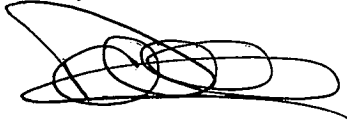
Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

By order of the board

A handwritten signature in black ink, appearing to be 'P Armstrong', written over a horizontal line.

P Armstrong
Director

11 SEPTEMBER 2014

Strategic report for the year ended 31 December 2013

Business review

The principal activity of the Company is the provision of air defence training and aircraft engineering. The principal activity is not expected to change in the foreseeable future.

The directors consider the results for the year to be satisfactory in challenging market conditions.

During 2013 the Company took the decision to exit third party engineering activities and focus on its core business activities of air defence training and associated aircraft engineering. The Company concluded its contract with Airbus Military in respect of Voyager aircraft modifications with a subsequent reduction in headcount. During the year certain facilities were sold for which an exceptional item profit on sale of asset was recorded. In addition management undertook a strategic review and restructure of the business which led to a further reduction in headcount and exceptional costs incurred of £2,908,000 (note 2).

During the year the Company signed an extension with the Ministry of Defence for the continued provision of air defence training.

Future developments

The directors are confident that next year will again show a strong and profitable performance.

With effect from 1st January 2014 the Company entered into a new finance lease arrangement as lessee with a fellow subsidiary undertaking to lease an aircraft and associated equipment for use on its surveillance contracts. This arrangement will expire in 2019. The impact of this arrangement on the 2013 results of the Company are summarised in Note 29 "Post Balance Sheet Event".

Research and development

The Company is committed to research and development and has undertaken £852,000 (2012: £317,000) of customer funded activity during the year. All Company funded research and development expenditure is written off as it is incurred unless and until the conditions for capitalisation are met.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the Company are considered to relate to Government intentions and policy regarding the likelihood and extent of constraints or reductions in budgeted defence spending. Further discussion of the principal risks, in the context of the group as a whole, is provided on pages 28 to 31 of the Cobham plc 2013 Annual Report and Accounts which does not form part of this report.

Key performance indicators

The directors of the ultimate parent undertaking, Cobham plc, manage the group's operations on a divisional basis. For this reason, the Company's directors believe that the most useful analysis of key performance indicators is with reference to the development, performance and position of the Cobham Aviation Services division of Cobham plc, which includes the Company. This is discussed on pages 20 and 21 of the Cobham plc 2013 Annual Report and Accounts, which does not form part of this report. KPIs for the group as a whole are discussed on page 12 and 13 of that report.

Financial risk management

The Company's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk, interest rate cash flow risk and foreign currency exchange rate risk. The Company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Company.

Given the size of the Company relative to the Cobham plc group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors of Cobham plc are managed by the group finance department. The Cobham plc group has a policy and procedures manual that sets out guidelines to allow it to manage credit risk, interest rate cash flow risk and foreign currency exchange rate risk and this is applied by the Company.

FR Aviation Limited

Strategic report for the year ended 31 December 2013 (continued)

The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

Price risk

The Company is not naturally exposed to price risk as a result of its operations due to the nature of its trading operations and contract arrangements. The Company has no exposure to equity securities price risks as it holds no listed or other equity investments.

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The Company also monitors existing customer accounts on an ongoing basis and takes appropriate action where necessary to minimise any potential credit risk. Cash and bank balances are held with banks that have been assigned satisfactory credit ratings by international credit rating agencies.

Liquidity risk

The Company retains sufficient cash to ensure it has available funds for operations and planned expansions. The Company also has access to longer term funding from its ultimate parent undertaking if required.

Interest rate cash flow risk

The Company has interest bearing assets which include only cash balances which earn interest at a floating rate. In order to ensure stability of cash outflows and hence manage interest rate risk, the Company has access to fixed interest rate loans from its ultimate parent undertaking. The Company does not use derivative financial instruments to manage interest rate costs.

Foreign currency exchange rate risk

The Company has a policy to minimise foreign currency exchange rate risk through the regular monitoring of foreign currency flows and putting in place where appropriate forward currency exchange rate contracts with the ultimate parent undertaking.

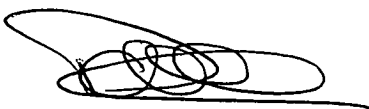
Employees

The Company is committed to equal opportunities for all its employees and aims to ensure that the workplace is free from discrimination. Recruitment, selection and career development are based on competence and job requirements, irrespective of sex, sexual preference, religion or disability. In the event of members of staff becoming disabled, all reasonable steps, including retraining, will be taken to ensure that they can remain in employment wherever practicable.

The Company encourages employee participation and consultation at all levels and shares relevant business information. This approach facilitates the evolution of new ideas and practices that add value to the business, promotes team member commitment and helps focus Company and employee expectations. The tools used include in house newsletters, intranet, extranet and regular employee opinion surveys. Company announcements, team meetings and suggestion schemes also play a part in this process.

We continue to support employee share ownership through participation in the Cobham group ShareSave scheme and the Cobham Share Incentive Plan which are open to all employees of the Company.

By order of the board



P. Armstrong
Director

11 September 2014

FR Aviation Limited

Independent auditors' report to the members of FR Aviation Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by FR Aviation Limited, comprise:

- the statement of accounting policies;
- the profit and loss account for the year ended 31 December 2013;
- the balance sheet as at 31 December 2013; and
- the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

FR Aviation Limited

Independent auditors' report to the members of FR Aviation Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of directors

As explained more fully in the statement of directors' responsibilities set out on page 1 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.



Helen Orton (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

15 September 2014

FR Aviation Limited

Statement of accounting policies

Accounting convention

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Basis of preparation

The financial statements contain information about FR Aviation Limited as an individual Company and do not contain consolidated financial information as the parent undertaking of a group. The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 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 ultimate parent company, Cobham plc, which are publicly available (see note 26).

Turnover

Turnover is measured at the fair value of the right to consideration and excludes value added tax, other sales taxes and trade discounts. Turnover is recognised at the point when substantially all of the risks and rewards of ownership are transferred to the customer; normally this is on despatch. In the case of contracts of a long duration, turnover is recognised based upon the fair value of work performed to date assessed with reference to contract milestones.

Current taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at their purchase cost together with any directly attributable costs of acquisition, net of depreciation and provisions, where required, for any impairment.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful economic life. The expected useful economic lives used for this purpose are:

Leasehold land and buildings (long lease)	50 years
Plant and machinery (including vehicles)	3 to 10 years
Fixtures, fittings, tools and equipment	3 to 8 years

FR Aviation Limited

Statement of accounting policies (continued)

Investments

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

Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost on a first-in first-out basis, which includes an appropriate proportion of production overheads, and net realisable value. Provision is made where necessary for obsolete, slow moving and defective stock.

Turnover and a prudent estimate of the profit attributable to work completed on long-term contracts is recognised once the outcome of the contract can be recognised with reasonable certainty. The amount by which turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts. The costs on long-term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown in stocks as long-term contract balances.

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

Financial assets and liabilities

Financial assets and liabilities are presented in accordance with paragraphs 15-50 of FRS 25 as the Company has not adopted FRS 26.

Pension costs

The Company contributes to a multi-employer defined benefit pension scheme operated by Cobham plc, the assets of which are held separately in independently administered funds. Contributions and pension costs are apportioned across the scheme as a whole and assessed in accordance with the advice of qualified actuaries. The scheme is closed to new members and has a high proportion of deferred and pensioner members from businesses that no longer participate in the scheme. The Company is therefore not able to identify its share of underlying assets and liabilities of the scheme on a reasonable and consistent basis and in accordance with the multi-employer exemption contained in FRS 17, the scheme has been accounted for as if it was a defined contribution scheme. The charge to the profit and loss account therefore reflects payments for the year.

Contributions to defined contribution schemes are charged to the profit and loss account in the period the contributions are payable.

The Company also makes contributions for certain employees to individual personal pension and stakeholder schemes. Contributions are charged to the profit and loss account in the year to which they relate.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Foreign currencies

Transactions denominated in foreign currencies are translated at an average monthly rate of exchange which approximates to the actual daily rate throughout the year.

Monetary assets and liabilities denominated in foreign currencies are expressed in sterling, translated at the rates of exchange ruling at the balance sheet date, except in those instances where forward cover has been arranged, in which case the forward rate is used.

All exchange differences are dealt with in the profit and loss account

FR Aviation Limited

Statement of accounting policies (continued)

Leases

Lease arrangements are accounted for as finance leases where substantially all the risks and rewards of ownership of the leased asset are retained by the Company. All other leases are classified as operating leases. For finance leases, the asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its useful economic life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Research and development

The Company undertakes research and development activities either on its own behalf or on behalf of customers.

Company funded expenditure on research activities is written off as incurred and charged to the profit and loss account.

Company funded expenditure on development activities is capitalised as an internally generated intangible asset if certain conditions are met as laid out in SSAP 13. The expenditure capitalised includes the cost of materials, direct labour and related overheads. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Capitalised development expenditure is amortised over the expected life of the product.

Where the research and development activity is performed for customers, costs are capitalised in work in progress and released to the profit and loss account in accordance with the Company's turnover policy as stated above.

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, amounts recoverable on long term contracts and 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.

Share-based payments

For grants made under the group's share-based payment schemes, amounts which reflect the fair value of options awarded to employees of the Company at the date of grant are charged to the profit and loss account over the vesting period of the option and the excess of the charge over any amounts paid to Cobham plc for these options is recognised as a capital contribution in equity.

The valuation of the options utilises a methodology based on the Black-Scholes model, modified where required to allow for the impact of market related performance criteria. The impacts of changes in assumptions of the number of options that are expected to vest due to non market related conditions are assessed at each balance sheet date and adjusted through the profit and loss account on a cumulative basis.

FR Aviation Limited

Profit and loss account for the year ended 31 December 2013

	Note	2013 £000	2012 £000
Turnover	1	65,911	75,810
Cost of sales		(51,582)	(62,316)
Gross profit		14,329	13,494
Selling and distribution costs		(1,325)	(1,559)
Administrative expenses:			
Administrative expenses (excluding exceptional item)		(6,117)	(9,028)
Exceptional item		(2,908)	-
Administrative expenses		(9,025)	(9,028)
Other operating income/(expenses)		(73)	2
Operating profit	2	3,906	2,909
Profit on sale on sale of fixed asset		1,129	-
Interest receivable and similar income	3	89	80
Interest payable and similar charges	4	(722)	(1,474)
Income from shares in group undertakings		681	2,870
Profit on ordinary activities before taxation		5,083	4,385
Tax on profit on ordinary activities	5	(419)	(575)
Profit for the financial year		4,664	3,810

All the Company's activities are classed as continuing in the current and comparative year.

The profit on ordinary activities before taxation and the profit for the financial year have been calculated on the historical cost basis.

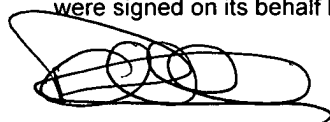
The Company has no recognised gains or losses other than the amounts above and therefore no separate statement of total recognised gains and losses has been prepared.

FR Aviation Limited

Balance sheet as at 31 December 2013

	Note	2013 £000	2012 £000
Fixed assets			
Tangible assets	10	16,053	22,154
Investments	11	1,757	1,757
		17,810	23,911
Current assets			
Stocks	12	4,540	8,618
Debtors: amounts falling due within one year	13	11,283	8,297
Cash at bank and in hand		24,239	14,889
		40,062	31,804
Creditors: amounts falling due within one year	14	(14,407)	(15,973)
Net current assets		25,655	15,831
Total assets less current liabilities		43,465	39,742
Creditors: amounts falling due after more than one year	15	(8,097)	(9,381)
Provisions for liabilities	17	(1,679)	(790)
Net assets		33,689	29,571
Capital and reserves			
Called up share capital	19	1	1
Other reserve	20	3,717	3,582
Profit and loss account	20	29,971	25,988
Total shareholders' funds	21	33,689	29,571

The financial statements on pages 7 to 24 were approved by the board on 11 September 2014 and were signed on its behalf by:



P Armstrong
Director

Registered number in England: 845310

**Notes to the financial statements
for the year ended 31 December 2013**

1. Turnover

All sales are deemed as being attributable to the company's principal activity of air defence training and aircraft engineering. An analysis of turnover by geographical destination is given below:

	2013 £000	2012 £000
United Kingdom	55,198	56,182
Other EU countries	10,084	19,087
United States of America	146	31
Australasia	10	-
Rest of the world	473	510
	65,911	75,810

2. Operating profit

	2013 £000	2012 £000
Operating profit is stated after charging/(crediting):		
Depreciation		
- owned assets	1,174	1,421
- leased assets	1,385	2,770
Operating lease charges/(credit)		
- plant and machinery	440	381
- plant and machinery credit	-	(2,868)
- land and buildings	386	442
Exceptional item: Organisational restructure costs	2,908	-
Exchange differences	72	(2)
Auditors' remuneration fees for the audit of the Company's financial statements	38	73

Fees paid to the Company's auditors, PricewaterhouseCoopers LLP and its associates for services other than the statutory audit of the Company are not disclosed in these financial statements since the consolidated group financial statements of the ultimate parent undertaking, Cobham plc, disclose the non-audit fees on a consolidated basis.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

3. Interest receivable and similar income

	2013 £000	2012 £000
Bank interest receivable	89	80

4. Interest payable and similar charges

	2013 £000	2012 £000
Finance lease interest	630	1,474
Interest payable to group undertakings	92	-
Finance lease interest	722	1,474

5. Tax on profit on ordinary activities

	2013 £000	2012 £000
Current tax:		
UK corporation tax on profit for the year	671	568
Adjustment in respect of previous years	(238)	(55)
Total current tax	433	513
Deferred tax:		
Depreciation for the year in excess of capital allowances	(87)	(97)
Timing differences relating to share options	47	116
Other timing differences	3	(3)
Effect of change in tax rate	23	46
Total deferred tax (note 18)	(14)	62
Tax on profit on ordinary activities	419	575

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

5. Tax on profit on ordinary activities (continued)

The current tax assessed for the year is lower (2012: lower) than the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are explained below:

	2013 £000	2012 £000
Profit on ordinary activities before taxation	5,083	4,385
Profit on ordinary activities multiplied by the standard rate in the UK of 23.25% (2012: 24.5%)	1,182	1,074
Effects of:		
Expenses not deductible for tax purposes	16	34
Profit on sales of fixed assets	(210)	-
Dividend income not taxable	(158)	(703)
Expenditure qualifying for additional R&D tax deduction	(181)	(23)
Tax deduction available in respect of share options	(62)	86
Origination and reversal of other timing differences	(3)	3
Depreciation for the year in excess of capital allowances	87	97
Adjustment to tax charge in respect of previous years	(238)	(55)
Total current tax	433	513

Closing deferred tax balances have been calculated at 23%, 21% or 20% (2012: 23%), depending on the tax year in which the balance is expected to reverse, based on rates which have been substantively enacted at the balance sheet date.

Factors that may affect future tax charges:

The standard rate of UK corporation tax will reduce to 21% by 1 April 2014 and to 20% by 1 April 2015.

6. Directors' emoluments

The emoluments of the directors employed by the Company are:

	2013 £000	2012 £000
Aggregate emoluments	145	109

One director is employed by, and receives emoluments from another group undertaking and also act as director for a number of legal entities within the Cobham group. Where the individual acts as a director for a number of other legal entities within the Cobham group, no specific amounts can be apportioned or are payable in the current or prior year in respect of directors services supplied to the Company. Charges have been made by other group undertakings to the Company which include amounts related to the management of the Company; however it is not possible to accurately identify directors' emoluments included within these charges.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

7. Employee costs

	2013 £000	2012 £000
Wages and salaries	19,045	26,705
Share based payments (note 8)	135	513
Social security costs	1,850	2,848
Pension costs (note 22)	3,973	4,287
	25,003	34,353

The average monthly number of employees (including executive directors) employed by the Company during the year was:

By activity	2013	2012
Production and engineering	305	532
Marketing	9	9
Management and administration	44	70
	358	611

8. Share based payments

The Company participates in share schemes operated by the ultimate parent undertaking, Cobham plc, and the following amounts are included in these financial statements:

	2013 £000	2012 £000
PSP awards	37	284
ESOS awards	(40)	11
ShareSave awards	172	218
Capital contribution from ultimate parent undertaking	169	513
Repayment of capital contribution	(34)	-
Net charge to profit and loss account	135	513

As the schemes relate to shares of the ultimate parent undertaking, the Company has recognised a capital contribution equal to the net profit and loss account charge for the year in reserves (note 20).

The PSP scheme allows for annual grants of conditional shares with vesting conditions based on the Cobham plc group's financial performance, taking into account both market-based conditions such as TSR growth and non-market based measures such as EPS growth or cash conversion respectively.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

8. Share based payments (continued)

Other equity settled incentive schemes available to certain senior executives include the Executive Share Option Scheme (ESOS) further details of which can be found in the 2013 Annual Report and Accounts of Cobham plc.

The Cobham Savings Related Share Option Scheme (ShareSave) is an HMRC approved savings related share option plan which is open to all UK employees. Participating employees contribute to a monthly savings plan and after an agreed period of at least three years, employees have the option to use these savings plus interest to purchase Cobham plc shares at 80% of the market price on the date of grant.

The number of awards outstanding under each of the schemes were as follows:

	2013	2012
PSP	71,699	75,602
ESOS	-	132,504
ShareSave	1,302,144	1,809,012
Total awards outstanding at 31 December	1,373,843	2,017,118

9. Dividends

	2013 £000	2012 £000
Dividend for current year paid of £681 (2012: £4,432) per share	681	4,432

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

10. Tangible assets

	Leasehold land and buildings (long lease) £000	Plant and machinery (including vehicles) £000	Fixtures fittings, tools and equipment £000	Total £000
Cost				
At 1 January 2013	12,523	31,617	6,821	50,961
Additions	-	2,202	63	2,265
Disposals	(4,746)	(3,677)	(1,209)	(9,632)
At 31 December 2013	7,777	30,142	5,675	43,594
Accumulated depreciation				
At 1 January 2013	4,462	18,346	5,999	28,807
Charge for the year	145	2,170	244	2,559
Disposals	(1,267)	(1,657)	(901)	(3,825)
At 31 December 2013	3,340	18,859	5,342	27,541
At 31 December 2013	4,437	11,283	333	16,053
At 31 December 2012	8,061	13,271	822	22,154

Assets held under finance leases and capitalised in plant and machinery:

	2013 £000	2012 £000
Cost	12,786	12,786
Accumulated depreciation	(4,155)	(2,770)
Net book amount	8,631	10,016

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

11. Investments

Investments in group undertakings comprise:

Shares at
cost
£000

Cost and net book amount

At 1 January and 31 December 2013

1,757

The above investment represents a 50% ordinary shareholding in another group company, FBS Limited, which is incorporated in England. The principal activity of the company is the management of a Ministry of Defence contract.

On 14 July 2013, the balance of the ordinary shares of FBS Limited were acquired by a fellow subsidiary undertaking of the Company with the effect that FBS Limited is now a wholly owned subsidiary of Cobham plc.

In the opinion of the directors the value of investments in subsidiary undertakings is not less than the aggregate amount at which they are shown in the balance sheet.

12. Stocks

	2013 £000	2012 £000
Raw materials and consumables	3,692	3,457
Work in progress	848	5,161
	4,540	8,618

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

13. Debtors

Amounts falling due within one year:

	2013 £000	2012 £000
Trade debtors	3,661	4,905
Amounts owed by fellow subsidiary undertakings	544	484
Corporation tax	93	-
Deferred tax assets (note 18)	531	517
Other debtors	4,379	12
Prepayments and accrued income	2,075	2,379
	11,283	8,297

Amounts owed by fellow subsidiary undertakings are unsecured, interest free and repayable on demand. Other debtors includes amounts recoverable on contracts.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

14. Creditors: amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	1,981	2,516
Payments on account	6,896	6,282
Amounts owed to fellow subsidiary undertakings	185	461
Finance leases (note 16)	1,284	1,207
Corporation tax	-	105
Other tax and social security	1,581	1,952
Accruals and deferred income	2,480	3,450
	14,407	15,973

Amounts owed to fellow subsidiary undertakings are unsecured, interest free and repayable on demand.

15. Creditors: amounts falling due after more than one year

	2013 £000	2012 £000
Finance leases (note 16)	8,097	9,381

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

16. Finance leases

Minimum future payments under finance leases are as follows:

	2013 £000	2012 £000
Within one year	1,284	1,207
Between one and two years	1,367	1,284
Between two and three years	1,455	1,367
Between three and five years	3,199	3,004
After five years	2,076	3,726
	9,381	10,588
Amounts falling due within one year (note 14 above)	(1,284)	(1,207)
	8,097	9,381

Finance leases are with a fellow subsidiary undertaking of Cobham plc and in connection with the lease of Falcon aircraft and associated equipment. This arrangement is due to expire in 2019.

17. Provisions for liabilities

	Staff & Operating cost provisions £000	Onerous contract provisions £000	Total £000
At 1 January 2013	289	501	790
Charged to the profit and loss account	1,491	163	1,654
Utilised during the year	(49)	(269)	(318)
Unused amounts reversed in the year	(131)	(316)	(447)
At 31 December 2013	1,600	79	1,679

Staff and operating cost provisions

Staff cost and operating cost provisions include provisions which occur where certain employees and directors are offered relocation benefits on commencement of their positions, whereby the amounts recognised in the provision in the balance sheet represent the contracted allowances, less amounts claimed by the individuals, previously charged to profit and loss. In addition provisions for restructuring costs to be incurred in realigning the business with its core activities and provisions in respect of aircraft modification and certification costs likely to be incurred in fulfilling its contractual obligations are included. All the amounts recognised are expected to be fully utilised during 2014.

Onerous contract provisions

The onerous contracts provision represents amounts due on onerous leases and other contracts that the company has entered into. The amounts recognised are expected to be fully utilised during 2014.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

18. Deferred taxation

	Deferred taxation £000	
At 1 January 2013	517	
Credited to the profit and loss account	14	
At 31 December 2013	531	
The deferred tax asset represents:		
	2013 £000	2012 £000
Accelerated capital allowances	336	249
Other short term timing differences	195	268
	531	517

19. Called up share capital

	2013 £000	2012 £000
Allotted, called up and fully paid:		
1,000 Ordinary shares of £1 each	1	1

20. Reserves

	Other reserve £000	Profit and loss account £000
At 1 January 2013	3,582	25,988
Profit for the financial year	-	4,664
Dividends (note 9)	-	(681)
Capital contribution for the year	169	-
Capital contribution repaid	(34)	-
At 31 December 2013	3,717	29,971

The other reserve relates to share-based payments awarded to certain employees of the Company by the ultimate parent undertaking, Cobham plc (note 8).

**Notes to the financial statements
for the year ended 31 December 2013 (continued)**

21. Reconciliation of movements in total shareholders' funds

	2013	2012
	£000	£000
Profit for the financial year	4,664	3,810
Dividends (note 9)	(681)	(4,432)
Retained profit/(deficit) for the financial year	3,983	(622)
Net capital contribution from ultimate parent undertaking	135	513
Net addition to/(deduction from) shareholders' funds	4,118	(109)
Opening shareholders' funds	29,571	29,680
Closing shareholders' funds	33,689	29,571

22. Pension commitments

Defined contribution scheme

The Company participates in the Cobham Personal Pension Plan, a defined contribution scheme operated for companies within the Cobham plc group. It also makes contributions for certain employees to individual personal pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension cost charged represents contributions payable by the Company to the funds and amounted to £791,000 (2012: £869,000). At 31 December 2013 there were no contributions outstanding (2012: £nil).

Defined benefit scheme

The Company also participates in the defined benefit section of the Cobham Pension Plan operated by Cobham plc. The pension scheme is of the funded defined benefit type and its 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 2012. This assessment was updated to 31 December 2013 at which date the net liabilities of the scheme were assessed to be £81.7m. The directors of the companies involved in the group scheme will continue to monitor the level of the pension deficit and take advice from independent actuaries as appropriate.

The scheme has members across the Cobham Group and the directors of the Company are unable to obtain detailed and reliable analysis of the scheme liabilities for the Company. Consequently in these financial statements this scheme has been accounted for as if it was a defined contribution scheme and the charge to the profit and loss account therefore reflects payments for the year.

The total pension charges for the year for the defined benefit pension scheme were £3,182,000 (2012: £3,418,000).

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

23. Contingent liabilities

The Company is a participant in a group banking arrangement under which all surplus cash balances are held as collateral for bank facilities advanced to group members. In addition, the Company has issued an unlimited guarantee to support these group facilities.

The Company has given its bankers an indemnity in respect of a deferment guarantee given by them on the Company's behalf to HM Revenue and Customs of an amount not exceeding £600,000 (2012: £600,000) and also has in place contract performance related guarantees totalling £26,000 (2012: £28,000) to other parties.

The Company is acting as guarantor for the value of £4,105,000 (A\$7,600,000) (2012: £4,854,000) for the Commonwealth Bank of Australia in support of a fellow subsidiary undertaking, National Jet Systems Pty Limited.

24. Capital commitments

The Company had capital commitments contracted for but not provided of £43,000 at 31 December 2013 (2012: £48,000).

25. Financial commitments

The following annual operating lease commitments existed at the year end expiring as follows:

	Land and buildings		Other	
	2013 £000	2012 £000	2013 £000	2012 £000
Within one year	-	-	4	3
Between two and five years	6	36	105	151
After five years	375	406	-	-
	381	442	109	154

26. Ultimate parent undertaking

The Company's immediate parent undertaking is FR Aviation Group Limited.

The ultimate parent undertaking and controlling party is Cobham plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the Cobham plc consolidated financial statements can be obtained from the Company Secretary at Cobham plc, Brook Road, Wimborne, Dorset BH21 2BJ.

27. Cash flow statement

As noted above, 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 FRS 1 (revised 1996).

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

28. Related party disclosures

The Company has taken the exemption under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Cobham plc group or investees of the Cobham plc group.

The Company has undertaken transactions, with the following related parties, on an arm's length basis. Aviation Defense SA is a joint venture company of a fellow subsidiary undertaking. FB Heliservices Limited was a joint venture company of a fellow subsidiary undertaking until 14 July 2013 when the fellow subsidiary acquired the balance of shares in that undertaking.

For Aviation Defense SA the activity during the year and balances at the year end were as follows: for FB Heliservices Limited the activity for the period prior to full acquisition and the balances at the date of full acquisition, were as follows:

	2013 Purchases in year £000	2013 Creditor balances £000	2012 Purchases in year £000	2012 Creditor balances £000
Aviation Defense SA	57	-	333	-

	Sales in year £000	Debtor balances £000	Sales in year £000	Debtor balances £000
FB Heliservices Limited	10	-	79	13
Aviation Defense SA	58	-	64	-

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

The Company also received dividend income totalling £681,000 (2012: £2,870,000) from its investment in FBS Limited. This was a joint venture with Bristow Helicopters Limited from whom a fellow subsidiary company acquired the balance of shares in that undertaking on 14 July 2013.

29. Post balance sheet event

Subsequent to 31st December 2013, FR Aviation Limited became the lessee in a finance lease arrangement with a fellow subsidiary undertaking in respect of aircraft and associated equipment for use on its surveillance contracts until 2019. This replaced a previous operating lease arrangement which was terminated on 31st December 2013.

Had the contract been effective during the year to 31 December 2013, the impact of this arrangement on the 2013 Balance Sheet of the Company would be as follows:-

			£000
Tangible fixed assets	Leased assets at cost	Increase	1,814
Creditors	Finance lease payable	Increase	(1,814)
Net Assets		Increase	-