

FR Aviation Limited

Annual report and financial statements
for the year ended 31 December 2014

Registered number 845310

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FR Aviation Limited

Annual report and financial statements for the year ended 31 December 2014

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FR Aviation Limited

Directors' report for the year ended 31 December 2014

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 2014. 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 £3,924,000 (2013: £4,664,000). At 31 December 2014, the Company had net assets of £37,705,000 (2013: £33,689,000). A review of the Company's business during the year and future developments, together with information on the Company's 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 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

The Directors have the benefit of a Directors' and Officers' liability insurance policy and the Company has entered into qualifying third party indemnity arrangements with them, as permitted by the Companies Act 2006. The policy was in force at the year end and continues in force at the date of this report.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, Directors' 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 period.

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 2014 (continued)

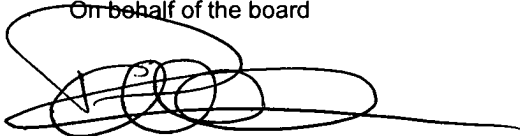
Disclosure of information to auditors

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.

On behalf of the board

A large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

P Armstrong
Director

28/8 / 2015

Strategic report for the year ended 31 December 2014

Business review

The results for the year and financial position at the year end are set out in the Directors Report on page 1. 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.

With effect from 1 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 directors consider the results for the year to be satisfactory in challenging market conditions.

Future developments

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

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 34 to 39 of the Cobham plc 2014 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 by sector. 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 Sector of Cobham plc, which includes the Company. This is discussed on pages 26 and 27 of the Cobham plc 2014 Annual Report and Accounts, which does not form part of this report. KPIs for the group as a whole are discussed on page 14 to 17 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.

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.

FR Aviation Limited

Strategic report for the year ended 31 December 2014 (continued)

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 both interest bearing assets and interest bearing liabilities which include cash balances which earn interest at a floating rate and finance lease liabilities. 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.

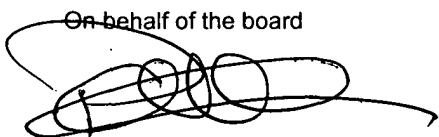
Employees

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.

On behalf of the board



P Armstrong

Director

28 / 8 / 2015

FR Aviation Limited

Independent auditors' report to the members of FR Aviation Limited

Report on the financial statements

Our opinion

In our opinion, FR Aviation Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 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.

What we have audited

FR Aviation Limited's financial statements comprise:

- the Balance Sheet as at 31 December 2014;
- the Profit and Loss Account for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' 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.

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the 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) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.



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

28 August 2015

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 when the Company has met its contractual obligations for service delivery to its customers. 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.

Cash received in advance from customers is taken to deferred income and recognised as turnover when the service is provided. Turnover recognised in advance of cash received is taken to accrued income.

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 aircraft and 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.

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.

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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.

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.

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Profit and loss account for the year ended 31 December 2014

	Note	2014 £000	2013 £000
Turnover	1	65,397	65,911
Cost of sales		(49,929)	(51,582)
Gross profit		15,468	14,329
Selling and distribution costs		(1,328)	(1,325)
Administrative expenses:			
Administrative expenses (excluding exceptional item)		(6,474)	(6,190)
Exceptional item	2	(1,445)	(2,908)
Administrative expenses		(7,919)	(9,098)
Operating profit	2	6,221	3,906
Profit on sale on sale of fixed asset		-	1,129
Income from shares in group undertakings		45	681
Interest receivable and similar income	3	121	89
Interest payable and similar charges	4	(795)	(722)
Profit on ordinary activities before taxation		5,592	5,083
Tax on profit on ordinary activities	5	(1,668)	(419)
Profit for the financial year	20	3,924	4,664

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.

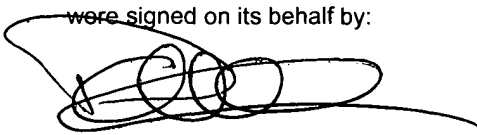
The Company has no recognised gains or losses other than the amounts above and therefore no separate statement of total recognised gains and losses has been prepared.

FR Aviation Limited

Balance sheet as at 31 December 2014

	Note	2014		2013	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10		20,790		16,053
Investments	11		312		1,757
			21,102		17,810
Current assets					
Stocks	12	3,305		4,540	
Debtors: amounts falling due within one year	13	14,658		11,283	
Cash at bank and in hand		32,247		24,239	
		50,210		40,062	
Creditors: amounts falling due within one year	14	(22,284)		(14,407)	
Net current assets			27,926		25,655
Total assets less current liabilities			49,028		43,465
Creditors: amounts falling due after more than one year	15		(8,387)		(8,097)
Provisions for liabilities	17		(2,936)		(1,679)
Net assets			37,705		33,689
Capital and reserves					
Called up share capital	19		1		1
Other reserve	20		3,854		3,717
Profit and loss account	20		33,850		29,971
Total shareholders' funds	21		37,705		33,689

The financial statements on pages 7 to 24 were approved by the board on 28 / 8 / 2015 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 2014**

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:

	2014	2013
	£000	£000
United Kingdom	63,741	55,198
Other EU countries	1,544	10,084
United States of America	-	146
Australasia	-	10
Rest of the world	112	473
	65,397	65,911

2. Operating profit

	2014	2013
	£000	£000
Operating profit is stated after charging/(crediting):		
Depreciation		
- owned assets	1,085	1,174
- leased assets	2,316	1,385
Operating lease charges		
- plant and machinery	400	440
- land and buildings	374	386
Exceptional item: organisational restructuring costs	-	2,908
Exceptional item: investment impairment (note 11)	1,445	-
Exchange differences	3	72
Auditors' remuneration fees for the audit of the Company's financial statements	41	38

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.

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Notes to the financial statements for the year ended 31 December 2014 (continued)

3. Interest receivable and similar income

	2014 £000	2013 £000
Bank interest receivable	121	89

4. Interest payable and similar charges

	2014 £000	2013 £000
Finance lease interest	795	630
Interest payable to fellow subsidiary undertakings	-	92
Finance lease interest	795	722

5. Tax on profit on ordinary activities

	2014 £000	2013 £000
Current tax:		
UK corporation tax on profit for the year	1,493	671
Adjustment in respect of previous years	171	(238)
Total current tax	1,664	433
Deferred tax:		
Depreciation for the year in excess of capital allowances	(38)	(87)
Timing differences relating to share based payments	42	47
Other timing differences	-	3
Effect of change in tax rate	-	23
Total deferred tax (note 18)	4	(14)
Tax on profit on ordinary activities	1,668	419

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

5. Tax on profit on ordinary activities (continued)

The current tax assessed for the year is higher (2013: lower) than the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are explained below:

	2014 £000	2013 £000
Profit on ordinary activities before taxation	5,592	5,083
Profit on ordinary activities multiplied by the standard rate in the UK of 21.5% (2013: 23.25%)	1,202	1,182
Effects of:		
Expenses not deductible for tax purposes	305	16
Profit on sales of fixed assets	-	(210)
Dividend income not taxable	(10)	(158)
Expenditure qualifying for additional R&D tax deduction	-	(181)
Tax deduction available in respect of share options	(42)	(62)
Origination and reversal of other timing differences	-	(3)
Depreciation for the year in excess of capital allowances	38	87
Adjustment in respect of previous years	171	(238)
Total current tax	1,664	433

Closing deferred tax balances have been calculated at 20% (2013: 20%, 21% or 23%), based on rates which have been substantively enacted at the balance sheet date.

Factors that may affect future tax charges:

Future tax charges will be affected by the standard rate of UK Corporation Tax which reduced to 20% on 1 April 2015. On 8 July 2015 it was announced that the main rate of corporation tax in the UK would be reduced to 19% from 1 April 2017 and to 18% from 1 April 2020. As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements.

6. Directors' emoluments

The emoluments of the directors employed by the Company are:

	2014 £000	2013 £000
Aggregate emoluments	331	145

One director is employed by, and receives emoluments from another group undertaking and also acts 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.

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Notes to the financial statements for the year ended 31 December 2014 (continued)

6. Directors' emoluments (continued)

The emoluments of the highest paid director employed by the Company are:

	2014 £000	2013 £000
Aggregate emoluments	189	-

7. Employee costs

	2014 £000	2013 £000
Wages and salaries	14,220	19,045
Share based payments (note 8)	137	135
Social security costs	1,585	1,850
Other pension costs (note 22)	3,931	3,973
	19,873	25,003

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

By activity	2014	2013
Production and engineering	256	305
Marketing	7	9
Management and administration	40	44
	303	358

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

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:

	2014 £000	2013 £000
PSP awards	57	37
ESOS awards	-	(40)
ShareSave awards	116	172
Capital contribution from ultimate parent undertaking	173	169
Repayment of capital contribution	(36)	(34)
Net charge to profit and loss account	137	135

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.

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 2014 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:

	2014	2013
PSP	106,188	71,699
ESOS	-	-
ShareSave	1,404,834	1,302,144
Total awards outstanding at 31 December	1,511,022	1,373,843

9. Dividends

	2014 £000	2013 £000
Dividend for current year paid of £45 (2013: £681) per share	45	681

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

10. Tangible assets

	Leasehold land and buildings (long lease) £000	Plant and machinery (including aircraft and vehicles) £000	Fixtures fittings, tools and equipment £000	Total £000
Cost				
At 1 January 2014	7,777	30,142	5,675	43,594
Additions	17	7,841	280	8,138
Disposals	-	(668)	(32)	(700)
At 31 December 2014	7,794	37,315	5,923	51,032
Accumulated depreciation				
At 1 January 2014	3,340	18,859	5,342	27,541
Charge for the year	128	2,985	288	3,401
Disposals	-	(668)	(32)	(700)
At 31 December 2014	3,468	21,176	5,598	30,242
At 31 December 2014	4,326	16,139	325	20,790
At 31 December 2013	4,437	11,283	333	16,053

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

	2014 £000	2013 £000
Cost	12,786	12,786
Additions	3,444	-
Accumulated depreciation	(6,471)	(4,155)
Net book amount	9,759	8,631

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

11. Investments

	2014 £000	2013 £000
Shares at cost	1,757	1,757
Impairment	(1,445)	-
Net book amount	312	1,757

The above investment represents a 50% ordinary shareholding in another group company, FBS Limited, which is incorporated in England. In 2014 the principal activity of the company was the management of a Ministry of Defence contract, which in 2015 operates through a different group company. As such the investment value in FBS Limited has been impaired.

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

	2014 £000	2013 £000
Raw materials and consumables	2,445	3,692
Work in progress	860	848
	3,305	4,540

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

13. Debtors

Amounts falling due within one year:

	2014 £000	2013 £000
Trade debtors	4,428	3,661
Amounts owed by group undertakings	468	544
Corporation tax	-	93
Deferred tax assets (note 18)	527	531
Other debtors	4,379	4,379
Prepayments and accrued income	4,856	2,075
	14,658	11,283

Amounts owed by group undertakings are unsecured, interest free and repayable on demand. Other debtors include amounts recoverable on contracts.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

14. Creditors: amounts falling due within one year

	2014 £000	2013 £000
Payments received on account	12,195	6,896
Trade creditors	1,463	1,981
Amounts owed to group undertakings	725	185
Finance leases (note 16)	2,307	1,284
Corporation tax	1,696	-
Other taxation and social security	1,312	1,581
Accruals and deferred income	2,586	2,480
	22,284	14,407

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

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

	2014 £000	2013 £000
Finance leases (note 16)	8,387	8,097

16. Finance leases

Minimum future payments under finance leases are as follows:

	2014 £000	2013 £000
Within one year	2,307	1,284
Between one and two years	1,753	1,367
Between two and three years	1,873	1,455
Between three and five years	4,761	3,199
After five years	-	2,076
	10,694	9,381
Amounts falling due within one year (note 14 above)	(2,307)	(1,284)
	8,387	8,097

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.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

17. Provisions for liabilities

	Staff & operating cost provisions £000	Other provisions £000	Onerous contract provisions £000	Total £000
At 1 January 2014	1,041	559	79	1,679
Reclassified from accruals	-	800	-	800
Charged to the profit and loss account	5	1,330	223	1,558
Utilised during the year	(791)	(3)	-	(794)
Unused amounts reversed in the year	(228)	-	(79)	(307)
At 31 December 2014	27	2,686	223	2,936

Staff and operating cost provisions

Staff 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. All the amounts recognised are expected to be fully utilised during 2015.

Other provisions

Other provisions include amounts potentially due to third parties under contracts in existence at the year end which had previously been presented within accruals. The amounts recognised are expected to be utilised over the next five years.

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 2015.

18. Deferred taxation

	Deferred taxation £000
At 1 January 2014	531
Charged to the profit and loss account	(4)
At 31 December 2014	527

The deferred tax asset represents:

	2014 £000	2013 £000
Accelerated capital allowances	374	336
Other short term timing differences	153	195
	527	531

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

19. Called up share capital

	2014 £000	2013 £000
Allotted, called up and fully paid:		
1,000 (2013: 1,000) Ordinary shares of £1 each	1	1

20. Reserves

	Other reserve £000	Profit and loss account £000
At 1 January 2014	3,717	29,971
Profit for the financial year	-	3,924
Dividends (note 9)	-	(45)
Capital contribution for the year	173	-
Capital contribution repaid	(36)	-
At 31 December 2014	3,854	33,850

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

21. Reconciliation of movements in total shareholders' funds

	2014 £000	2013 £000
Profit for the financial year	3,924	4,664
Dividends (note 9)	(45)	(681)
Retained profit for the financial year	3,879	3,983
Net capital contribution from ultimate parent undertaking	137	135
Net addition to shareholders' funds	4,016	4,118
Opening shareholders' funds	33,689	29,571
Closing shareholders' funds	37,705	33,689

**Notes to the financial statements
for the year ended 31 December 2014 (continued)**

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 £846,000 (2013: £791,000). At 31 December 2014 there were no contributions outstanding (2013: £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 2014 at which date the net liabilities of the scheme were assessed to be £92.3m (2013: £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 £3,085,000 (2013: £3,182,000).

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 (2013: £600,000) and also has in place contract performance related guarantees totalling £28,000 (2013: £26,000) to other parties.

The Company is acting as guarantor for the value of £3,990,000 (A\$7,600,000) (2013: £4,105,000) for the Commonwealth Bank of Australia in support of a fellow subsidiary undertaking, National Jet Systems Pty Limited.

FR Aviation Limited

Notes to the financial statements for the year ended 31 December 2014 (continued)

24. Capital commitments

The Company had capital commitments contracted for but not provided of £1,539,000 at 31 December 2014 (2013: £43,000).

25. Financial commitments

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

	Land and buildings		Other	
	2014 £000	2013 £000	2014 £000	2013 £000
Within one year	8	-	-	4
Between two and five years	43	6	26	105
After five years	321	375	-	-
	372	381	26	109

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 2014 (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. Activity during the year and balances at the year end were as follows:

	2014 Purchases in year £000	2014 Creditor balances £000	2013 Purchases in year £000	2013 Creditor balances £000
Aviation Defense SA	405	-	57	-

	2014 Sales in year £000	2014 Debtor balances £000	2013 Sales in year £000	2013 Debtor balances £000
Aviation Defense SA	27	26	58	-

Aviation Defense SA is a joint venture company of a fellow subsidiary undertaking of Cobham plc.

In addition, FB Heliservices Limited was a joint venture company of a fellow subsidiary undertaking until 14 July 2013 when the balance of shares in that undertaking were acquired. During 2013, FR Aviation Limited made sales of £10,000 to FB Heliservices Limited prior to 14 July 2013.

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

The Company also received dividend income totalling £45,000 (2013: £681,000) from its investment in FBS Limited.