

# COMPANIES HOUSE

**HOUCHIN AEROSPACE  
LIMITED**

COMPANY NUMBER 255879

DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2002



# **HOUCHIN AEROSPACE LIMITED**

## **REPORT OF THE DIRECTORS**

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The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

### **Results and dividends**

The profit for the year after taxation was £111,000 (2001: £121,000).

Dividends amounting to £156,000 (2001: £300,000) representing 7.0p (2001: 13.4p) per share have been declared and paid in the year leaving a loss of £45,000 (2001: loss £179,000) to be transferred to reserves.

### **Activities**

The principal activity of the company is the manufacture of Ground Power Units for use in the aerospace industry.

### **Review of the business**

The results for the year are shown in the profit and loss account on page 7.

### **Future developments**

The company is trading profitably and the directors expect to maintain present activity levels.

### **Directors**

The directors of the company, all of whom served throughout the year were:

S W Drain  
J A Peters  
A C Stanley  
M A Wilson  
G M Entwistle

None of the directors had any interest in the shares of the company.

# HOUCHIN AEROSPACE LIMITED

## REPORT OF THE DIRECTORS

The beneficial interests of each director in the shares and the share options of the ultimate parent undertaking are noted below.

	31 December 2002		25p ordinary shares 1 January 2002 (or date of appointment)	
	Shares	Options	Shares	Options
S W Drain	-	20,344	-	16,889
J A Peters	25	31,472	25	26,139
A C Stanley	-	12,567	-	9,112
M A Wilson	-	20,344	-	16,889
G M Entwistle	6,450	140,824	6,450	113,309
	<u>6,475</u>	<u>225,551</u>	<u>6,475</u>	<u>182,338</u>

Share options are exercisable on or after	Number of options
4 April 1998 at 241.000 pence	4,285
15 April 1999 at 319.000 pence	6,250
6 June 1999 at 353.000 pence	3,250
22 April 2000 at 359.000 pence	9,123
24 March 2001 at 300.000 pence	10,987
31 March 2002 at 177.500 pence	34,139
28 March 2003 at 91.500 pence	71,964
18 April 2004 at 163.000 pence	42,340
3 April 2005 at 165.000 pence	43,213
	<u>225,551</u>

### Statement of directors' responsibilities for preparing the financial statements

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

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made, in the preparation of the financial statements for the year ended 31 December 2002. The directors also confirm that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# HOUCHIN AEROSPACE LIMITED

## REPORT OF THE DIRECTORS

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### Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 11 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

BY ORDER OF THE BOARD



M G Leigh  
SECRETARY

14 March 2003

Registered office:

Hilton Road  
Ashford  
Kent  
TN23 1DZ

# **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HOUCHIN AEROSPACE LIMITED**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

## **Respective responsibilities of directors and auditors**

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

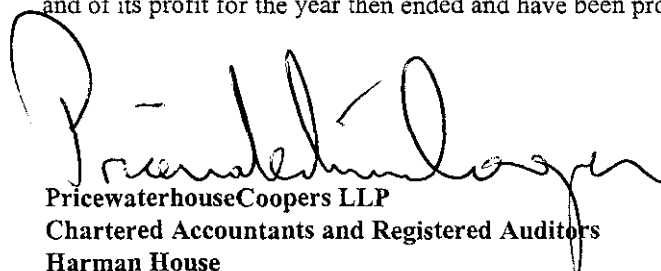
## **Basis of audit opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Harman House  
1 George Street  
Uxbridge  
UB8 1QQ

14 March 2003

# **HOUCHIN AEROSPACE LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **ACCOUNTING CONVENTION**

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and under the historical cost convention.

The company is a wholly owned subsidiary of TT electronics plc and the cash flows of the company are included in the consolidated group cash flow statement of TT electronics plc. Consequently, the company is exempt under the terms of FRS 1 "Cash Flow Statements" (Revised 1996) from publishing a cash flow statement.

The principal accounting policies of the company are set out below. The policies have remained unchanged from the previous year except for the adoption of FRS 19 "Deferred Tax". This change has not affected the results of the current or preceding year.

### **CONSOLIDATED FINANCIAL STATEMENTS**

The company has taken advantage of the exemption permitted by Section 228 of the Companies Act 1985 and not produced consolidated financial statements as it is itself a wholly owned subsidiary.

### **TURNOVER**

Turnover is the invoice value of goods and services supplied excluding VAT. The rental income derived from the hiring of stock to customers is included in turnover. Transactions are recorded as sales when the delivery of products or performance of services takes place in accordance with the contract terms of sale.

### **DEPRECIATION**

Depreciation is calculated so as to write off the cost less estimated residual value of tangible fixed assets in equal instalments over their expected useful lives. No depreciation is provided on freehold land. The asset lives generally applicable are:

Freehold buildings	50 years
Plant, equipment and vehicles	Between 3 years and 10 years on cost according to type of asset

### **FIXED ASSETS**

Tangible fixed assets are stated at cost, less a provision for depreciation.

The carrying values of fixed assets are reviewed for impairment where there is an indication that the asset may be impaired.

### **INVESTMENTS**

Investments are included at cost less amounts written off.

# **HOUCHIN AEROSPACE LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **STOCKS**

Stocks and work in progress are stated at the lower of cost, including related overheads, and net realisable value.

Long term contracts are valued at cost, including related overheads, less provision for foreseeable losses and after deduction of applicable payments on account.

### **DEFERRED TAXATION**

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax on defined benefit pension scheme surpluses or deficits is adjusted against these surpluses. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

### **FOREIGN CURRENCIES**

Monetary assets and liabilities in foreign currencies are translated at the rates ruling at the balance sheet date. Transactions during the year are translated at rates ruling at the time of the transactions. Exchange differences which arise from normal trading activities are dealt with through the profit and loss account.

### **RETIREMENT BENEFITS**

#### **Defined Benefit Pension Scheme**

Pension costs are charged to the profit and loss account so as to spread the cost over the expected average service lives of employees in accordance with the recommendation of independent actuaries.

### **LEASES**

Payments on operating leases are charged to the profit and loss account on a straight line basis over the lease term.

**HOUCHIN AEROSPACE LIMITED****PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 2002

	Note	2002 £'000	2001 £'000
<b>Turnover</b>	1	6,481	6,801
Cost of sales		(5,343)	(5,448)
Gross profit		1,138	1,353
Distribution costs		(485)	(563)
Administrative expenses		(417)	(610)
<b>Operating profit</b>		236	180
Net interest	2	(38)	(30)
<b>Profit on ordinary activities before taxation</b>	1	198	150
Taxation	3	(87)	(29)
<b>Profit on ordinary activities after taxation</b>	16	111	121
Dividends			
Interim of 7.0p per share (2001: 13.4p)		(156)	(300)
<b>Loss retained</b>	16	(45)	(179)

The above results all arise from continuing activities.

The company has no recognised gains or losses other than those included in the loss above and therefore no separate statement of total recognised gains and losses has been presented.

The accompanying accounting policies and notes form an integral part of these financial statements.



# HOUCHIN AEROSPACE LIMITED

## BALANCE SHEET AT 31 DECEMBER 2002

	Note	2002 £'000	2001 £'000
<b>Fixed assets</b>			
Tangible assets	6	2,237	2,260
Investments	7	-	138
		<u>2,237</u>	<u>2,398</u>
<b>Current assets</b>			
Stocks	8	1,898	1,916
Debtors	9	1,533	1,056
		<u>3,431</u>	<u>2,972</u>
<b>Creditors: amounts falling due within one year</b>	10	<u>(2,597)</u>	<u>(2,289)</u>
<b>Net current assets</b>		<u>834</u>	<u>683</u>
<b>Total assets less current liabilities</b>		<u>3,071</u>	<u>3,081</u>
<b>Creditors: amounts falling due after more than one year</b>	11	<u>(2,000)</u>	<u>(2,000)</u>
<b>Provisions for liabilities and charges</b>	12	<u>(49)</u>	<u>(14)</u>
		<u>1,022</u>	<u>1,067</u>
<b>Capital and reserves</b>			
Called up share capital	14	586	586
Share premium account	15	49	49
Profit and loss account	15	387	432
<b>Shareholders' funds</b>	16	<u>1,022</u>	<u>1,067</u>

The financial statements were approved by the Board of Directors on 14 March 2003.

J A Peters



Directors

S W Drain



The accompanying accounting policies and notes form an integral part of these financial statements.

# HOUCHIN AEROSPACE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover is derived from the manufacture of Ground Power Units for use in the aerospace industry as analysed below:

	2002 £'000	2001 £'000
By destination:		
United Kingdom	1,984	1,818
Rest of Europe	1,517	2,117
North America	353	-
Rest of the World	2,627	2,866
	<u>6,481</u>	<u>6,801</u>

The whole of the turnover and profit on ordinary activities before taxation, originated in the United Kingdom.

Operating profit is stated after:

	2002 £'000	2001 £'000
Fees to auditors:		
- audit services	14	13
Depreciation:		
- tangible fixed assets	142	138
Operating lease rentals:		
- other	115	115
	<u>115</u>	<u>115</u>

### 2 NET INTEREST

	2002 £'000	2001 £'000
Interest payable:		
To group undertakings	38	30
	<u>38</u>	<u>30</u>

### 3 TAXATION

	2002 £'000	2001 £'000
United Kingdom corporation tax charge at 30% (2001: 30%)	53	39
Deferred taxation	35	14
Adjustments in respect of prior years - corporation tax	(1)	(24)
	<u>87</u>	<u>29</u>

# HOUCHIN AEROSPACE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 4 TAX RECONCILIATION

The tax charge is explained as follows:

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	198	150
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2001: 30%)	59	45
Effect of:		
Expenses not deductible for tax purposes	3	3
Capital allowances for the period in excess of depreciation	(7)	(11)
Other	(2)	2
Current tax charge for period	53	39

### 5 DIRECTORS AND EMPLOYEES

The aggregate emoluments, including directors, for the year were:

	2002 £'000	2001 £'000
Wages and salaries	1,802	1,932
Social security costs	143	145
Other pension costs	107	101
	2,052	2,178

The average number of employees of the company, including directors, during the year was:

	2002 Number	2001 Number
Production	68	73
Sales and distribution	12	13
Administration	13	13
	93	99

Remuneration in respect of directors was:

	2002 £'000	2001 £'000
Emoluments	192	286

During the year 3 directors (2001: 4 directors) participated in defined benefit schemes.

# HOUCHIN AEROSPACE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 6 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000
Cost			
At 1 January 2002	2,006	1,642	3,648
Additions	-	119	119
Disposals	-	(13)	(13)
At 31 December 2002	2,006	1,748	3,754
Depreciation			
At 1 January 2002	266	1,122	1,388
Charge for the year	40	102	142
Eliminated on disposals	-	(13)	(13)
At 31 December 2002	306	1,211	1,517
Net book amount at 31 December 2002	<u>1,700</u>	<u>537</u>	<u>2,237</u>
Net book amount at 31 December 2001	<u>1,740</u>	<u>520</u>	<u>2,260</u>

The net book amount of freehold land and buildings included £79,000 (2001: £79,000) in respect of land.

### 7 FIXED ASSETS INVESTMENTS

Investments in subsidiary undertakings

	Shares in group undertakings £'000
Cost and net book amount	
At 31 December 2001	138
Disposals	(138)
At 31 December 2002	<u>-</u>

# HOUCHIN AEROSPACE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 8 STOCKS

	2002 £'000	2001 £'000
Raw materials and consumables	815	826
Work in progress	344	610
Finished goods	739	480
	<u>1,898</u>	<u>1,916</u>

### 9 DEBTORS

	2002 £'000	2001 £'000
Trade debtors	1,218	886
Amounts owed by group undertakings	138	-
Other debtors	34	53
Prepayments	143	117
	<u>1,533</u>	<u>1,056</u>

Included in the above are the following amounts, which are due after more than one year:

Trade debtors	-	10
Amounts owed by group undertakings	<u>138</u>	<u>-</u>

### 10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £'000	2001 £'000
Bank overdrafts	678	387
Trade creditors	837	573
Amounts owed to group undertakings	710	731
Corporation tax	-	4
Taxation and social security	49	41
Other creditors	43	251
Accruals and deferred income	280	302
	<u>2,597</u>	<u>2,289</u>

### 11 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £'000	2001 £'000
Amounts owed to group undertakings	<u>2,000</u>	<u>2,000</u>

Amounts owed to group undertakings are repayable after more than one year. No interest is payable on this amount.

# HOUCHIN AEROSPACE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 12 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £'000
At 1 January 2002	14
Provided during the year	35
At 31 December 2002	49

### 13 DEFERRED TAXATION

Deferred taxation, which is fully provided for in the financial statements is analysed as follows:

	2002 £'000	2001 £'000
Accelerated capital allowances	52	17
Other short term timing differences	(3)	(3)
	49	14

### 14 SHARE CAPITAL

	2002 £'000	2001 £'000
Authorised		
3,000,000 ordinary shares of 25p each	750	750
28,000 preference shares 4.2% cumulative	28	28
	778	778
Issued and fully paid		
2,232,564 ordinary shares of 25p each	558	558
28,000 preference shares 4.2% cumulative	28	28
	586	586

# HOUCHIN AEROSPACE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

### 15 RESERVES

	Share premium account £'000	Profit and loss account £'000
At 1 January 2002	49	432
Loss for the year	-	(45)
At 31 December 2002	<u>49</u>	<u>387</u>

### 16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £'000	2001 £'000
Profit for the year	111	121
Dividends	(156)	(300)
Net movement in shareholders' funds	(45)	(179)
Shareholders' funds at 1 January 2002	<u>1,067</u>	<u>1,246</u>
Shareholders' funds at 31 December 2002	<u>1,022</u>	<u>1,067</u>

### 17 CAPITAL COMMITMENTS

	2002 £'000	2001 £'000
Contracted for but not provided	-	85

### 18 LEASING COMMITMENTS

At 31 December 2002 commitments due within one year in respect of operating leases were:

	2002 Land and buildings £'000	2001 Land and buildings £'000
Operating payments due to terminate: In more than five years	<u>115</u>	<u>115</u>

# HOUCHIN AEROSPACE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

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### 19 CONTINGENT LIABILITIES

The company has contingent liabilities of £358,000 (2001: £419,000) in respect of performance bonds and guarantees entered into in the normal course of business.

There was a cross guarantee between certain companies in the group on all bank overdrafts with the HSBC Bank plc. At 31 December 2002 the amount thus guaranteed by the company was £1,188,000 (2001: £12,270,000).

### 20 RETIREMENT BENEFITS

The company participates in a group defined benefit pension scheme to provide benefits to directors and employees. The scheme is set up under trust and its assets are therefore independent of those of the company.

Pension costs are based on the advice of an independent qualified actuary and are taken to the profit and loss account over the average working lives of the members. The last actuarial valuation of the scheme was as in March 1999 at which time, using the projected unit cost method, the assets of the scheme showed an actuarial valuation of £4.7m representing 89% of the benefits accrued to the members. The principal assumptions used by the actuary were that the investment returns would be 2% higher than the growth in annual salaries and that pensions in the course of payment could increase by up to 3% per annum.

The total contributions charged by the company in respect of the year ended 31 December 2002 were £107,000 (2001: £101,000). The difference between the accumulated charge and the payments made to the scheme is dealt with in debtors and creditors as appropriate.

#### Transitional FRS17 disclosures for defined benefit schemes

The defined benefit scheme participated in by the company is a multi-employer pension scheme. The company is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the company has taken advantage of the exemption in FRS17 and accounted for the scheme as if it were a defined contribution scheme.

The most recent valuation of the scheme has been updated by an independent qualified actuary, taking account of the requirements of FRS17 to assess the liabilities of the scheme at 31 December 2002. The market value of the scheme assets at the year end was £5,131,000 and the present value of the scheme liabilities was £8,990,000.

### 21 TRANSACTIONS WITH RELATED PARTIES

The company has taken advantage of the exemption available under FRS 8 and has not disclosed transactions with companies that are part of the TT electronics group of companies.

### 22 CONTROLLING RELATED PARTIES

Dale Electric International Limited is the company's controlling related party by virtue of its 100 per cent interest in the company.

The company's ultimate controlling related party and ultimate parent undertaking is TT electronics plc which is registered in England and Wales.

Copies of TT electronics plc financial statements can be obtained from the registered office at Clive House, 12-18 Queens Road, Weybridge, Surrey, KT13 9XB.