

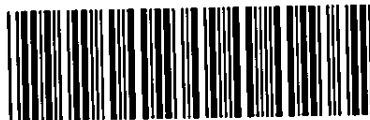
Airwork Limited

Directors' report and financial statements

Registered number 322249

31 March 2008

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Airwork Limited
Directors' report and financial statements

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Airwork Limited

Directors' report and financial statements

The directors' report and the business review

The directors present their annual report and the audited financial statements for the year ended 31 March 2008.

Principal activity

The company provides technical support, procurement services and technical training predominantly in the field of military aircraft maintenance and repair.

Business review

	2008	2007
	£000	£000
Turnover	9,047	9,891
Operating profit/(loss)	253	(178)
Order book	8,707	14,732

Airwork Limited's principal business continues to be the supply of manpower under a subcontract arrangement to the company's subsidiary company, Airwork Technical Services & Partners LLC, in connection with the Royal Air Force of Oman contract. However, due to the process of Omanisation, and in line with management's expectations, the number of staff employed has continued to decline over the course of the year.

The order book has reduced but again this is in line with management's expectations and mainly consists of the remaining duration of the Royal Air Force of Oman contract (to December 2009). The company is currently reviewing its strategy for the future, in order to mitigate the impact of this current contract coming to an end.

The key risk currently faced by the company is that of contract management, which is mitigated by the company's historic experience of managing complex contracts. In addition, the company is exposed to financial risks in respect of its cash balances and interest receivable thereon; such risks are managed by use of VT Group plc's banking arrangements to ensure the optimum rates of interest can be achieved.

The company's business is susceptible to changes in government policy, budget allocations and the changing political environment. The directors manage this risk by maintaining regular discussions with the government funding bodies.

Directors

The directors who held office during the year were as follows:

CJ Cundy (resigned 13 December 2007)
J Davies
PJ Harrison (appointed 13 December 2007)

Policy and practice on payment of creditors

The company's policy, in relation to all of its suppliers, is to settle the terms of payment when agreeing the terms of the transaction provided always that it is satisfied the supplier has provided the goods or services in accordance with the agreed terms and conditions. The company does not follow any code or standard on payment practice. At the year end, there were 39 days purchases in trade creditors (2007: 44 days).

Airwork Limited
Directors' report and financial statements

The directors' report and the business review *(continued)*

Employment of disabled persons

Full and fair consideration is given to employment applications from disabled persons having regard to their particular aptitude and abilities. If an appropriate vacancy is available then, where practicable, arrangements will be made to continue the employment of an employee who becomes disabled. Disabled employees are given fair consideration for training, career development and promotion.

Employment policies

The development of employee involvement in the company's business is kept under regular review and the directors are committed to encouraging greater involvement of all employees. Formal and informal briefing of employees takes place as appropriate.

The company takes all reasonable steps to ensure that all employment conditions are applied regardless of sex, race, colour, ethnic background, religion or disability.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



MP Jowett
Secretary

18 November 2008

Airwork Limited
Directors' report and financial statements

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 judgments and 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; and
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

Independent auditors' report to the members of Airwork Limited

We have audited the financial statements of Airwork Limited for the year ended 31 March 2008 which comprise the profit and loss account, the balance sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

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



KPMG Audit Plc

Independent auditors' report to the members of Airwork Limited (*continued*)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the directors' report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

23 December 2008

8 Salisbury Square
London
EC4Y 8BB

Airwork Limited
Directors' report and financial statements

Profit and loss account
for the year ended 31 March 2008

	Notes	2008 £000	2007 £000
Turnover	2	9,047	9,891
Cost of sales		<u>(8,177)</u>	<u>(9,337)</u>
Gross profit		870	554
Administrative expenses		<u>(617)</u>	<u>(732)</u>
Operating profit/(loss)		253	(178)
Income from investments	5	219	253
Interest receivable and similar income	6	454	113
Interest payable and similar charges	7	<u>(10)</u>	<u>(50)</u>
Profit on ordinary activities before taxation	8	916	138
Tax on profit on ordinary activities	9	<u>615</u>	<u>3</u>
Profit for the financial year	17	<u>1,531</u>	<u>141</u>

The above results all relate to continuing activities.

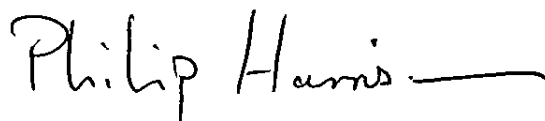
There are no recognised gains or losses other than the profit (*2007: profit*) for the year reported above. There is also no difference between the profit (*2007: profit*) on ordinary activities before taxation and the profit (*2007: profit*) for the financial year stated above, and their historical cost equivalents.

Airwork Limited
Directors' report and financial statements

Balance sheet
at 31 March 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Tangible assets	10	210	221
Investments	11	230	230
		<u>440</u>	<u>451</u>
Current assets			
Stocks	12	343	341
Debtors	13	1,229	1,907
Cash at bank and in hand		10,362	8,548
		<u>11,934</u>	<u>10,796</u>
Creditors: amounts falling due within one year	14	<u>(2,057)</u>	<u>(2,461)</u>
Net current assets		<u>9,877</u>	<u>8,335</u>
Total assets less current liabilities		<u>10,317</u>	<u>8,786</u>
Provisions for liabilities and charges	15	<u>(4)</u>	<u>(4)</u>
Net assets		<u>10,313</u>	<u>8,782</u>
Capital and reserves			
Called up share capital	16	20	20
Profit and loss account	17	10,293	8,762
Shareholders' funds	18	<u>10,313</u>	<u>8,782</u>

These financial statements were approved by the board of directors on 18 November 2008 and were signed on its behalf by:



PJ Harrison
Director

Airwork Limited

Directors' report and financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with UK generally accepted accounting principles using the historical cost convention.

The company is exempt by virtue of S228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 (1996 Revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

In addition, advantage has been taken of the exemption available under Financial Reporting Standard 8 not to disclose details of transactions with VT Group plc or other group undertakings, as the consolidated financial statements of VT Group plc in which the company is included are publicly available.

Tangible assets and depreciation

The cost of tangible assets comprises the purchase price and any directly attributable costs. Where assets are constructed, the cost will also include an appropriate share of overheads based on normal operating capacity.

Depreciation is provided to write off the cost less estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold buildings	-	over the period of the lease
Plant and machinery	-	3 to 10 years

No depreciation is provided on freehold land.

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost of Stocks includes all expenditure incurred in acquiring the stocks and bringing them to their existing location and condition, in the case of manufactured stocks and work in progress, costs also includes an appropriate share of overheads based on normal operating capacity.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Airwork Limited

Directors' report and financial statements

Notes *(continued)*

1 Accounting policies *(continued)*

Pension costs

The company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profit represents the contributions payable to the scheme in respect of the accounting period.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19. Deferred taxation assets are recognised only to the extent that, in the opinion of the directors, there is a reasonable probability that the asset will crystallise in the foreseeable future.

Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Turnover is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured.

Rendering of services

Turnover from services rendered is recognised by reference to the stage of completion of the transaction. Turnover from services provided on a short-term or one-off basis is recognised when the service is complete. The provision of services over a long-term period are treated as construction contracts, and the turnover recognised as set out below.

Construction contracts

Turnover from construction contracts, including long-term service provision contracts, is recognised by reference to the stage of completion of the contract. The stage of completion is determined by the costs incurred on the contract to date, to the extent that such costs represent progress made on the project. A prudent level of profit attributable to the contract activity is recognised if the final outcome of such contracts can be reliably assessed. An expected loss on a contract is recognised immediately in the income statement.

Leases

Operating lease rentals are expensed on a straight-line basis over the period of the lease.

Airwork Limited
Directors' report and financial statements

Notes *(continued)*

2 Analysis of turnover

Turnover and profits principally arise from activities and net assets in the Middle East.

3 Remuneration of directors

None of the directors received remuneration for their services to the company as the services provided to the company are incidental to their wider role in the group (2007: £nil).

4 Staff numbers and costs

The average number of persons employed by the company during the year, analysed by category, was as follows:

	Number of employees	
	2008	2007
Management, supervisory and administration	27	28
Operational and technical	180	198
	207	226

The aggregate payroll costs of these persons were as follows:

	2008	2007
	£000	£000
Wages and salaries	4,696	5,152
Social security costs	13	21
Other pension costs (note 20)	35	45
	4,744	5,218

5 Income from investments

	2008	2007
	£000	£000
Dividend from Airwork Technical Services & Partners LLC	219	253

6 Interest receivable and similar income

	2008	2007
	£000	£000
Bank interest receivable	454	113

Airwork Limited
Directors' report and financial statements

Notes *(continued)*

7 Interest payable and similar charges

	2008 £000	2007 £000
Interest on bank borrowings	<u>10</u>	<u>50</u>

8 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2008 £000	2007 £000
Depreciation of owned tangible fixed assets	29	18
Operating lease rentals: land and buildings	69	-
Exchange losses	<u>26</u>	<u>22</u>

Auditor's remuneration:

Audit of these financial statements	-	15
Other services	-	-

Fees payable to the company's auditor in respect of the statutory audit of the company (£29,000) have been borne on behalf of the company by a fellow subsidiary, VT Aerospace Limited.

9 Taxation

	2008 £000	2007 £000
<i>Current tax</i>		
UK corporation tax on profits of the year	257	(3)
Adjustment in respect of previous periods	(632)	-
Double taxation relief	<u>-</u>	<u>(5)</u>
Total current tax credit	<u>(375)</u>	<u>(8)</u>
<i>Overseas tax</i>		
Current tax on income for the year	10	5
Adjustment in respect of previous periods	<u>(250)</u>	<u>-</u>
Total overseas tax (credit)/charge	<u>(240)</u>	<u>5</u>
Tax on profit on ordinary activities	<u>(615)</u>	<u>(3)</u>

FRS 21, 'Events after the balance sheet date', requires the disclosure of changes in tax rates either enacted or announced after the balance sheet date that significantly affect current and deferred tax assets and liabilities. The announcement of a change in tax rate from 30% to 28%, effective from 1 April 2008, will impact the deferred tax balances set out in these accounts. This change has been reflected in the deferred tax calculations as per FRS 19.

Airwork Limited
Directors' report and financial statements

Notes *(continued)*

9 Taxation *(continued)*

Factors affecting the tax (credit)/charge for the current period

The current tax credit for the year is lower (2007: lower) than the standard rate of corporation tax in the UK of 30% (2007: 30%). The differences are explained below:

	2008 £000	2007 £000
Profit on ordinary activities before tax	<u>916</u>	<u>138</u>
Profit on ordinary activities multiplied by standard rate in UK of 30% (2007: 30%)	275	41
Effects of:		
Double tax relief	-	(5)
Tax credit on foreign dividend	-	(22)
Adjustment in respect of prior years	(632)	-
Difference between capital allowances and depreciation	(18)	(21)
Other timing differences	<u>-</u>	<u>(1)</u>
Current tax credit for the year	<u>(375)</u>	<u>(8)</u>

10 Tangible fixed assets

	Short Leasehold buildings £000	Total £000
Cost		
At beginning of year	259	259
Additions	<u>18</u>	<u>18</u>
At end of year	<u>277</u>	<u>277</u>
Depreciation		
At beginning of year	38	38
Charge for year	<u>29</u>	<u>29</u>
At end of year	<u>67</u>	<u>67</u>
Net book value		
At 31 March 2008	<u>210</u>	<u>210</u>
At 31 March 2007	<u>221</u>	<u>221</u>

Airwork Limited
Directors' report and financial statements

Notes *(continued)*

11 Fixed asset investments

	Shares in group undertakings £000	Shares in associated undertakings £000	Total £000
Cost and net book value			
At beginning and end of year	212	18	230

The companies in which the company's interest at the year end is more than 20% are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held
Subsidiary undertakings			
Airwork Technical Services and Partners LLC	Oman	Maintenance of aircraft	Ordinary – 51%
Participating interests			
Airwork Advanced Group Co WLL	Abu Dhabi	Dormant	Ordinary – 49%

Airwork Limited is an equal partner with Vinnell Corp in a joint venture Airwork Vinnell, which undertook certain military tasks for the USAF in Oman and Bahrain and whose principal place of business was Seeb Airport, Oman. Its sole contract was terminated in July 2000.

The aggregate investment in all associated undertakings and joint ventures under the equity method of valuation was £21,000 (2007: £21,000).

12 Stocks

	2008 £000	2007 £000
Finished goods and goods for resale	343	341

13 Debtors

	2008 £000	2007 £000
Trade debtors	694	1,144
Amounts owed by group undertakings	440	601
Other debtors	81	140
Prepayments and accrued income	14	22
	<u>1,229</u>	<u>1,907</u>

Airwork Limited
Directors' report and financial statements

Notes *(continued)*

14 Creditors: amounts falling due within one year

	2008	2007
	£000	£000
Trade creditors	392	814
Amounts owed to group undertakings	120	49
Amounts owed to related undertakings	47	47
Corporation tax	636	849
Other taxes and social security costs	6	10
Other creditors	2	144
Accruals and deferred income	854	548
	<u>2,057</u>	<u>2,461</u>

15 Provisions for liabilities and charges

	Contract provisions
	£000
At beginning and end of year	<u>4</u>

Contract provisions are based on the assessment of future costs and claims with reference to past experience.

There is no asset for deferred taxation at 31 March 2008 (2007: £nil). The unprovided deferred tax asset is set out below:

	Unprovided deferred tax asset	
	2008	2007
	£000	£000
Accelerated capital allowances	41	19
Other timing differences	1	1
	<u>42</u>	<u>20</u>

Airwork Limited
Directors' report and financial statements

Notes *(continued)*

16 Called up share capital

	2008 £000	2007 £000
Authorised		
Ordinary shares of £1 each	<u>20</u>	<u>20</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>20</u>	<u>20</u>

17 Reserves

	Profit and loss account £000
At beginning of year	8,762
Profit for the financial year	<u>1,531</u>
At end of year	<u>10,293</u>

18 Reconciliation of movements in shareholders' funds

	2008 £000	2007 £000
Profit for the financial year	<u>1,531</u>	<u>141</u>
Net increase to shareholder's funds	1,531	141
Opening shareholders' funds	<u>8,782</u>	<u>8,641</u>
Closing shareholders' funds	<u>10,313</u>	<u>8,782</u>

Airwork Limited
Directors' report and financial statements

Notes *(continued)*

19 Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows:

	2008 Land and buildings £000	2007 Land and buildings £000
Operating leases which expire		
Within one year	-	-
Within two to five years	69	-
After more than five years	-	-
	<hr/> 69	<hr/> -

20 Pension scheme

The company is a member of a larger group wide pension scheme providing benefits based on final pensionable pay. The company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for, in these financial statements as if the scheme was a defined contribution scheme.

The latest full actuarial valuation was carried out at 31 March 2007 and was updated for accounting purposes to 2008 by a qualified independent actuary. The pension charge for the year was £35,000 (2007: £45,000). At 31 March 2008, contributions amounting to £3,000 (2007: £3,000) were payable to the fund and are included in creditors.

The net pension liability on the group wide pension scheme at 31 March 2008 was £9,425,000 (2007: £33,065,000). This represents the liability to VT Group plc as a whole and does not represent a liability to the company.

The company also operated several defined contribution pension schemes. No contributions were made by the company to those funds during the year (2007: *£nil*). At 31 March 2008 there were no outstanding contributions payable to the funds (2007: *£nil*).

21 Related party transactions

There were no transactions with related parties during the year.

The following balance was owed by the company at 31 March:

	2008 £000	2007 £000
Airwork Advanced Group Co WLL	<hr/> 47	<hr/> 47

Airwork Limited
Directors' report and financial statements

Notes *(continued)*

22 Ultimate parent company

The company is a subsidiary undertaking of VT Support Services Limited, a company incorporated in Great Britain and registered in England and Wales.

The ultimate parent undertaking of the company is VT Group plc, a company incorporated in Great Britain and registered in England and Wales.

The largest group in which the results of the company are reported is that headed by VT Group plc. The consolidated financial statements are available to the public at that company's registered office of Grange Drive, Hedge End, Southampton. No other financial statements include the results of the company.