

# **Airwork Limited**

## **Directors' report and financial statements**

**Registered number 322249**

**31 March 2010**

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# **Airwork Limited**

## **Directors' report and financial statements**

### **Contents**

The directors' report and the business review	1
Statement of directors' responsibilities in respect of the directors' report and the financial statements	3
Independent auditors' report to the members of Airwork Limited	4
Profit and loss account	6
Balance sheet	7
Notes	8

# **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 2010

#### **Principal activity**

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

#### **Business review**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Turnover	<b>8,506</b>	8,875
Operating profit	<b>1,320</b>	903
Order book	<b>4,368</b>	4,700

The directors consider operating profit and the order book as the principal KPIs to assess progress towards achieving the company's strategies and, as such, towards fulfilling the company's objectives. The company'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.

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 as at 31 March 2010. In addition, an order for a further extension to this contract is currently anticipated by the company.

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 foreign exchange, its cash balances and interest receivable thereon, such risks are managed by use of VT Group plc's treasury function and banking arrangements to ensure appropriate hedging strategies are adopted, and that 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.

#### **Events after the balance sheet date**

On 23 March 2010 Babcock International Group PLC ("Babcock") and the company's ultimate parent, VT Group plc announced that they had reached agreement on the terms of a recommended acquisition by Babcock of all of the issued and to be issued, share capital of the VT Group plc.

The acquisition is expected to be completed in July 2010 with the VT Group plc shares being delisted from the London Stock Exchange and VT Group plc and its subsidiary undertakings becoming subsidiaries of Babcock. Following the acquisition by Babcock, the change of control may have an impact on the basis of preparation applied to certain of the company's assets and liabilities; however there is no consequential impact on the financial statements for the year ended 31 March 2010. The impact on the financial statements in the year ending 31 March 2011 and beyond, if any, has not yet been determined although the immediate effect of the change in control of the Group is discussed in the basis of preparation.

# **Airwork Limited**

## **Directors' report and financial statements**

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

#### **Directors**

The directors who held office during the year were as follows

J Davies

PJ Harrison

PJ Harrison is also a director of VT Group plc and his interests in the shares of that company and his rights to subscribe for shares of that company are shown in its directors' report

#### **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 34 days' purchases in trade creditors (2009 29 days)

#### **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**

With reference to Note 24 to the financial statements, after the acquisition of the ultimate parent company by Babcock International PLC is completed, KPMG Audit Plc will resign as auditor of the company.

By order of the Board



**MP Jowett**  
Secretary

25 June 2010

## **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)

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 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 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 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**

Dukes Keep  
Marsh Lane  
Southampton  
Hampshire SO14 3EX

### **Independent auditors' report to the members of Airwork Limited**

We have audited the financial statements of Airwork Limited for the year ended 31 March 2010. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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***

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### ***Scope of the audit of the financial statements***

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

#### ***Opinion on financial statements***

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with the UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### ***Opinion on other matters prescribed by the Companies Act 2006***

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



**KPMG Audit Plc**

Dukes Keep  
Marsh Lane  
Southampton  
Hampshire SO14 3EX

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

***Matters on which we are required to report by exception***

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- 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, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

**S McCallion (Senior Statutory Auditor)**  
**for and on behalf of KPMG Audit Plc, Statutory Auditor**  
Chartered Accountants  
Dukes Keep  
Marsh Lane  
Southampton  
Hampshire SO14 3EX

**28** June 2010

**Airwork Limited**  
**Directors' report and financial statements**

**Profit and loss account**  
*for the year ended 31 March 2010*

	Notes	2010 £000	2009 £000
<b>Turnover</b>	2	<b>8,506</b>	8,875
Cost of sales		<u>(7,047)</u>	<u>(7,434)</u>
<b>Gross profit</b>		<b>1,459</b>	1,441
Administrative expenses		(327)	(350)
Reorganisation and restructuring costs	5	188	(188)
		<u>(139)</u>	<u>(538)</u>
<b>Operating profit</b>		<b>1,320</b>	903
Income from investments	6	-	29
Interest receivable and similar income	7	28	363
Interest payable and similar charges	8	-	(6)
<b>Profit on ordinary activities before taxation</b>	9	<b>1,348</b>	1,289
Tax on profit on ordinary activities	10	<u>(457)</u>	<u>(284)</u>
<b>Profit for the financial year</b>	18	<b>891</b>	1,005

The above results all relate to continuing activities

There are no recognised gains or losses other than the profit (*2009 profit*) for the year reported above  
There is also no difference between the profit (*2009 profit*) on ordinary activities before taxation and the profit (*2009 profit*) for the financial year stated above, and their historical cost equivalents

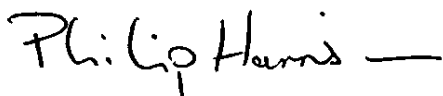


**Airwork Limited**  
**Directors' report and financial statements**

**Balance sheet**  
*at 31 March 2010*

	<i>Notes</i>	<b>2010 £000</b>	<b>2009 £000</b>
<b>Fixed assets</b>			
Tangible assets	11	158	183
Investments	12	230	230
		<u>388</u>	<u>413</u>
<b>Current assets</b>			
Stocks	13	252	58
Debtors	14	1,016	1,635
Cash at bank and in hand		12,584	11,544
		<u>13,852</u>	<u>13,237</u>
<b>Creditors</b> amounts falling due within one year	15	<u>(2,025)</u>	<u>(2,138)</u>
<b>Net current assets</b>		<u>11,827</u>	<u>11,099</u>
<b>Total assets less current liabilities</b>		<b>12,215</b>	<b>11,512</b>
<b>Provisions for liabilities and charges</b>	16	<u>(6)</u>	<u>(194)</u>
<b>Net assets</b>		<u>12,209</u>	<u>11,318</u>
<b>Capital and reserves</b>			
Called up share capital	17	20	20
Profit and loss account	18	12,189	11,298
<b>Shareholders' funds</b>	19	<u>12,209</u>	<u>11,318</u>

These financial statements were approved by the board of directors on 25 June 2010 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 s400(1) of the Companies Act 2006 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.

As explained in Note 24 to the financial statements, the offer for the company's ultimate parent, VT Group plc, by Babcock International PLC ("Babcock") is expected to become unconditional on 8 July 2010. Accordingly, the company and the Group will be under the control of Babcock and, in particular, Babcock group's treasury arrangements. At 31 March 2010 the Group headed by VT Group plc ("the Group") had net cash and significant committed facilities. In the light of this and the company and the Group's financial projections, the directors consider that the company has adequate resources to continue in operational existence for the foreseeable future. However, following completion of the acquisition of VT Group plc by Babcock, the committed facilities may be cancelled and the Group's cash will be managed as a component of the treasury arrangements for the enlarged Babcock group. The directors of the company understand that Babcock has indicated to the directors of VT Group plc that it intends to provide financial support to VT Group plc and its subsidiaries at least for the period of twelve months from the date of completion of the transaction, to enable the Group to continue to trade and meet its liabilities as they fall due.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements.

##### ***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

# **Airwork Limited**

## **Directors' report and financial statements**

### **Notes** *(continued)*

#### **1 Accounting policies** *(continued)*

##### **Stocks**

Stocks 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.

##### **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.

##### **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.

##### **Provisions**

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

Provisions for restructuring or reorganisation are recognised when a detailed formal restructuring plan has been approved and the restructuring has either commenced, or has been publicly announced. Future operating costs are not provided for.

##### **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.

# Airwork Limited

## Directors' report and financial statements

### Notes (continued)

#### 1 Accounting policies (continued)

##### 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.

#### 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 (2009: £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	
	2010	2009
Management, supervisory and administration	24	27
Operational and technical	168	168
	<u>192</u>	<u>195</u>

**Airwork Limited**  
**Directors' report and financial statements**

**Notes** *(continued)*

**4 Staff numbers and costs** *(continued)*

The aggregate payroll costs of these persons were as follows

	<b>2010</b> <b>£000</b>	2009 £000
Wages and salaries	<b>4,774</b>	4,673
Social security costs	<b>28</b>	14
Other pension costs (note 21)	<b>82</b>	59
	<b>4,884</b>	4,746

**5 Reorganisation and restructuring costs**

	<b>2010</b> <b>£000</b>	2009 £000
Reorganisation and restructuring costs	<b>(188)</b>	188

Further to the transaction discussed further in note 24, whereby the entire share capital of the ultimate parent company, VT Group plc, is to be sold to Babcock International Group PLC, the directors have reassessed the group reorganisation for which a provision of £188,000 was created as at 31 March 2009. As a result the reorganisation provision has been reduced by the same amount, which has been credited to the profit and loss account for the year ended 31 March 2010.

**6 Income from investments**

	<b>2010</b> <b>£000</b>	2009 £000
Dividend from Airwork Technical Services & Partners LLC	<b>-</b>	29

**7 Interest receivable and similar income**

	<b>2010</b> <b>£000</b>	2009 £000
Bank interest receivable	<b>28</b>	363

**8 Interest payable and similar charges**

	<b>2010</b> <b>£000</b>	2009 £000
Interest on bank borrowings	<b>-</b>	6

**Airwork Limited**  
**Directors' report and financial statements**

**Notes** (continued)

**9 Profit on ordinary activities before taxation**

Profit on ordinary activities before taxation is stated after charging

	<b>2010</b> <b>£000</b>	2009 £000
Depreciation of owned tangible fixed assets	<b>25</b>	27
Operating lease rentals land and buildings	<b>69</b>	69
Exchange losses	<b>55</b>	177

Fees payable to the company's auditor in respect of the statutory audit of the company amounting to £5,000 (2009 £30,000) have been borne on behalf of the company by a fellow subsidiary, VT Aerospace Limited

**10 Taxation**

	<b>2010</b> <b>£000</b>	2009 £000
<i>Current tax</i>		
UK corporation tax on profits of the period	<b>251</b>	198
Adjustment in respect of previous periods	<b>110</b>	(36)
	<b>361</b>	162
<i>Overseas tax</i>		
Overseas tax on profits of the period	<b>69</b>	229
Adjustment in respect of previous periods	<b>(54)</b>	-
	<b>376</b>	391
<i>Deferred tax</i>		
Origination and reversal of timing differences	<b>58</b>	(107)
Adjustment in respect of previous periods	<b>23</b>	-
	<b>81</b>	(107)
<b>Tax charge on profit on ordinary activities</b>	<b>457</b>	284

**Airwork Limited**  
**Directors' report and financial statements**

**Notes** *(continued)*

**10 Taxation** *(continued)*

**Factors affecting the tax charge for the current period**

The current tax charge for the year is lower (2009 lower) than the standard rate of corporation tax in the UK of 28% (2009 28%). The differences are explained below.

	<b>2010</b> <b>£000</b>	2009 £000
Profit on ordinary activities before tax	<u>1,348</u>	<u>1,289</u>
Profit on ordinary activities multiplied by standard rate in UK of 28% (2009 28%)	<b>377</b>	361
Effects of:		
Expenses not deductible for tax purposes	<b>1</b>	(1)
Adjustment in respect of prior years	<b>110</b>	(36)
Double Tax Relief	<b>(69)</b>	(229)
Other timing differences	<b>(53)</b>	74
Difference between capital allowances and depreciation	<u><b>(5)</b></u>	<u>(7)</u>
Current tax charge for the year	<u><b>361</b></u>	<u>162</u>

**11 Tangible fixed assets**

	<b>Short Leasehold buildings £000</b>	<b>Total £000</b>
<b>Cost</b>		
At beginning and end of year	<u>277</u>	<u>277</u>
<b>Depreciation</b>		
At beginning of year	94	<b>94</b>
Charge for year	<u>25</u>	<u>25</u>
At end of year	<u>119</u>	<u>119</u>
<b>Net book value</b>		
<b>At 31 March 2010</b>	<u>158</u>	<u><b>158</b></u>
At 31 March 2009	<u>183</u>	<u>183</u>

**Airwork Limited**  
**Directors' report and financial statements**

**Notes** *(continued)*

**12 Investments**

	Shares in group undertakings £000	Shares in associated undertakings £000	Total £000
<b>Cost and net book value</b>			
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
<b>Subsidiary undertakings</b>			
Airwork Technical Services and Partners LLC	Oman	Maintenance of aircraft	Ordinary – 51%
<b>Participating interests</b>			
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 (2009 £21,000)

**13 Stocks**

	2010 £000	2009 £000
Finished goods and goods for resale	252	58



**Airwork Limited**  
**Directors' report and financial statements**

**Notes** *(continued)*

**14 Debtors**

	<b>2010</b> <b>£000</b>	2009 £000
Trade debtors	391	816
Amounts owed by group undertakings	4	18
Amounts owed by related parties	527	608
Other debtors	6	25
Deferred tax asset	26	107
Other taxation	59	59
Prepayments and accrued income	3	2
	<u>1,016</u>	<u>1,635</u>

Deferred tax movements are

	<b>Deferred taxation £000</b>
At beginning of year	107
Charged during the year	<u>(81)</u>
<b>At end of year</b>	<u><b>26</b></u>

The deferred taxation asset is analysed as follows

	<b>2010</b> <b>£000</b>	2009 £000
Other timing differences	1	74
Accelerated capital allowances	<u>25</u>	<u>33</u>
<b>Deferred tax asset</b>	<u><b>26</b></u>	<u><b>107</b></u>

**15 Creditors: amounts falling due within one year**

	<b>2010</b> <b>£000</b>	2009 £000
Trade creditors	157	227
Amounts owed to group undertakings	726	560
Amounts owed to related undertakings	61	65
Corporation tax	284	491
Other taxes and social security costs	7	6
Other creditors	15	16
Accruals and deferred income	<u>775</u>	<u>773</u>
	<u><b>2,025</b></u>	<u><b>2,138</b></u>

**Airwork Limited**  
**Directors' report and financial statements**

**Notes** *(continued)*

**16 Provisions for liabilities and charges**

	<b>Contract provisions £000</b>	<b>Reorganisation and redundancy provisions £000</b>	<b>Total £000</b>
<b>Cost</b>			
At beginning of year	6	188	194
Released during the year	-	(188)	(188)
<b>At end of year</b>	<b>6</b>	<b>-</b>	<b>6</b>

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

Further to the transaction discussed further in note 24, whereby the entire share capital of the ultimate parent company, VT Group plc, is to be sold to Babcock International Group PLC, the directors have reassessed the group reorganisation for which a provision of £188,000 was created as at 31 March 2009. As a result the reorganisation provision has been reduced by the same amount, which has been credited to the profit and loss account for the year ended 31 March 2010.

**17 Called up share capital**

	<b>2010 £000</b>	<b>2009 £000</b>
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £1 each	<u>20</u>	<u>20</u>

**18 Reserves**

	<b>Profit and loss account £000</b>
At beginning of year	11,298
Profit for the financial year	<u>891</u>
<b>At end of year</b>	<b><u>12,189</u></b>

**Airwork Limited**  
**Directors' report and financial statements**

**Notes** *(continued)*

**19 Reconciliation of movements in shareholders' funds**

	<b>2010</b> <b>£000</b>	2009 £000
Profit for the financial year	<u>891</u>	<u>1,005</u>
Net increase to shareholders' funds	<b>891</b>	1,005
Opening shareholders' funds	<u>11,318</u>	<u>10,313</u>
<b>Closing shareholders' funds</b>	<u><b>12,209</b></u>	<u>11,318</u>

**20 Commitments under operating leases**

Annual commitments under non-cancellable operating leases are as follows

	<b>2010</b> <b>Land and</b> <b>buildings</b> <b>£000</b>	2009 Land and buildings £000
Operating leases which expire		
Within one year	-	-
Within two to five years	<b>69</b>	69
After more than five years	<u>-</u>	<u>-</u>
	<u><b>69</b></u>	<u>69</u>

**21 Pension arrangements**

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 2009 and was updated for accounting purposes to 2010 by a qualified independent actuary. The pension charge for the year was £82,000 (2009 £59,000). At 31 March 2010, contributions amounting to £44,000 (2009 £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 2010 was £64,765,000 (2009 £50,048,000), this represents the liability to VT Group plc as a whole and does not represent a liability to the company.

**Airwork Limited**  
**Directors' report and financial statements**

**Notes** *(continued)*

**22 Related party transactions**

During the year the company has entered into transactions in the ordinary course of business with Airwork Technical Services and Partners LLC, an Omani-registered company in which the company owns a 51% shareholding in the form of Ordinary shares. In addition, the company continues to hold a balance with Airwork Advanced Group Co WLL, a dormant company registered in Abu Dhabi, in which the company owns a 49% shareholding.

Transactions entered into and trading balances outstanding at 31 March 2010 are as follows

<b>Related party</b>	<b>Sales to related party £000</b>	<b>Amounts owed by related party £000</b>	<b>Amounts owed to related party £000</b>
Airwork Technical Services and Partners LLC			
<b>2010</b>	<b>5,831</b>	<b>527</b>	-
2009	5,934	608	-
Airwork Advanced Group Co WLL			
<b>2010</b>	-	-	<b>61</b>
2009	-	-	65

All dealings with related parties are conducted on an arm's length basis

Movements during the year on the balance owed to Airwork Advanced Group Co WLL related to foreign exchange revaluations only

**23 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 VT House, Grange Drive, Hedge End, Southampton, SO30 2DQ. No other financial statements include the results of the company.

**Airwork Limited**  
**Directors' report and financial statements**

**Notes** *(continued)*

**24 Events after the balance sheet date**

On 23 March 2010 Babcock International Group PLC ("Babcock") and the company's ultimate parent, VT Group plc announced that they had reached agreement on the terms of a recommended acquisition by Babcock of all of the issued and to be issued, share capital of the VT Group plc

The acquisition is expected to be completed in July 2010 with the VT Group plc shares being delisted from the London Stock Exchange and VT Group plc and its subsidiary undertakings becoming subsidiaries of Babcock. Following the acquisition by Babcock, the change of control may have an impact on the basis of preparation applied to certain of the company's assets and liabilities however there is no consequential impact on the financial statements for the year ended 31 March 2010. The impact on the financial statements in the year ending 31 March 2011 and beyond, if any, has not yet been determined although the immediate effect of the change in control of the Group is discussed in the basis of preparation.