

**Company Registration No. 422128**

**H+S Aviation Limited**

**Report and Financial Statements**

**31 December 2011**

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# **H+S Aviation Limited**

## **Report and financial statements 2011**

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# **H+S Aviation Limited**

## **Report and financial statements 2011**

### **Officers and professional advisers**

#### **Directors**

C Head  
H McElroy  
M Taylor

#### **Secretary**

S Martin

#### **Bankers**

HSBC Bank PLC  
14 Bradford Road, Cleckheaton  
West Yorkshire  
BD19 3JR

Barclays Bank PLC  
City Service Centre  
PO BOX 544  
54 Lombard Street  
London  
EC3V 9EX

#### **Solicitors**

DLA  
3 Noble Street  
London  
EC2V 7EE

Eversheds  
Cloth Hall  
Infirmary Street  
Leeds  
OS1 2JV

Wragge & Co LLP  
3 Waterhouse Square  
142 Holborn  
London  
EC1N 2SW

#### **Auditor**

Deloitte LLP  
Chartered Accountants  
London

# H+S Aviation Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

### Principal activities and business review

The principal activity of the company is the overhaul of aviation engines and associated components

#### *Business review*

The results for the year ended 31 December 2011 are set out on page 7. Sales for the year show an increase of 3.2% on an actual basis in comparison to 2010. On a constant currency basis 2011 shows an increase of 2.0% on 2010.

The profit for the year after taxation amounted to £7,806,000 (2010: £6,964,000). Operating profit as a percentage of sales for the year amounted to 11.9% (2010: 10.9% on a constant currency basis) which showed a slight increase when compared to the 2010 financial year. An increase in volume (which included a new product line introduced in 2010) and production efficiencies contributed to a more profitable 2011.

#### *Principal risks*

One of the principal risks to H+S Aviation is currency fluctuation.

A significant proportion of H+S Aviation's sales are denominated in US Dollars, offset to an extent by dollar denominated material costs.

Management are minimising this exposure, where possible, through hedging US Dollar cash inflows. The hedging of the US Dollar cash flows covers a maximum timescale of 30 months and therefore a medium-term risk still exists.

H+S has a mature business system, utilised for inventory and project control and a separate main accounting system. There is little integration between these systems leading to administrative inefficiencies. The planned roll out of a new IT system to replace the current in-house developed system continues to be under discussion, although the accounting system is scheduled to be updated in 2012.

Testing of engines is critical to H+S Aviation's operations. Failure of one or more test beds would substantially affect its ability to test engines and dispatch within agreed timelines. There are alternative test beds available for sub-contract testing should the need arise, however, these incur additional costs and extend delivery time to the customer.

#### *Health, safety and environmental matters*

ISO 14001 is an internationally accepted standard that sets out how to put in place an effective Environmental Management System. Audits are carried out on site twice yearly. H+S Aviation successfully regained this accreditation during 2011 in January and again in July.

The company again participated in the "Big Green Commuter Challenge" sponsored by Portsmouth City Council, after the success in previous years. This challenge encourages employees to abandon their vehicles and either cycle, walk or car share into work. In 2011, H+S won the Large Organisation Category, saving 5,258 miles over 5 days with 29% of employees taking part.

In August 2011, some employees of H+S Aviation took part in the '3 Peaks Challenge' to raise money for a local school for children with learning difficulties. The 3 peaks challenge involves climbing 3 mountains, Ben Nevis in Scotland, Scafell Pike in England and Mount Snowdon in Wales. The H+S team completed the challenge in 24 hours 30 mins and raised £5,000.00 for the school.

H+S also organised a sponsored bike ride for Children in Need in November 11.

A CSR project involving the renovation of 4 work rooms at the local school referred to above is being put together for 2012.

All employees continue to receive human factors training which focuses on the impact of human error in the aviation industry.

# **H+S Aviation Limited**

## **Directors' report (continued)**

### **Financial risk management objectives and policies**

The company's activities expose it to a number of financial risks including cash flow risk and credit risk. The company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due.

#### *Cash flow risk*

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. This is highlighted as one of the key risks to H+S Aviation and is tackled in the principal risk section above.

#### *Credit risk*

H+S Aviation's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

#### *Liquidity risk*

As the majority of the financial risks and funding requirements are managed by the treasury function of the ultimate parent company, the directors consider these risks are fully mitigated.

### **Dividends**

No final dividend has been proposed by the directors (2010: £nil). No interim dividend was paid in 2011 (2010: £nil).

### **Supplier payment policy**

The company's policy is to provide suppliers with the company's standard conditions of trading for the purchase of goods and services, and to abide by those conditions. Trade creditors of the company at 31 December 2011 were equivalent to 56 (2010: 68) days' purchases, based on the average daily amount invoiced by suppliers in the last three months of the year.

### **Employee participation**

The company is committed to employee participation, encouraging the development of co-operation with employees by involving and consulting the Employee Council in staff welfare issues, and through regular communication meetings with employees.

### **Going concern**

The company has sufficient financial resources together with long-term contracts with a number of customers and suppliers across different geographical areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook and have therefore adopted the going concern basis in preparing the annual report and accounts.

### **Directors and their interests**

The list below includes directors who served the company throughout the year, are detailed below:

C Head

H McElroy

M Taylor – appointed 01/04/11

## **H+S Aviation Limited**

### **Directors' report (continued)**

#### **Auditor**

Each of the persons who are directors 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 auditor is 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 auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors  
and signed on behalf of the Board



S Martin  
Secretary

28<sup>th</sup> Sept 2012

## **H+S Aviation Limited**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the annual 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 elected to prepare 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 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 with reasonable accuracy at any time the financial position of the company and to 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.

## Independent auditor's report to the members of H+S Aviation Limited

We have audited the financial statements of H+S Aviation Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Note of Historical Cost, Profits and Losses and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

### Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 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.

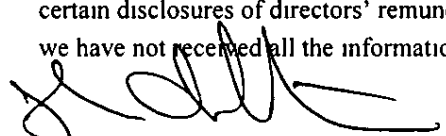
### Opinion on matters prescribed in the Companies Act 2006

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.

### 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.



John Charlton (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

28 September 2012



## H+S Aviation Limited

### Profit and loss account Year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Turnover	2	67,202	65,095
Cost of sales		(44,275)	(44,507)
Gross profit		22,927	20,588
Other operating expenses	3	(14,921)	(13,631)
Operating profit	5	8,006	6,957
Finance charges (net)	4	10	(62)
Profit on ordinary activities before taxation		8,016	6,895
Tax (charge)/credit on profit on ordinary activities	7	(210)	69
Profit on ordinary activities after taxation and for the financial year		7,806	6,964

There were no recognised gains and losses in the current or prior year other than those reflected above. Accordingly, no statement of total recognised gains and losses is presented. All activities relate to continuing operations.

### Note of historical cost profits and losses Year ended 31 December 2011

	2011 £'000	2010 £'000
Reported profit on ordinary activities before taxation	8,016	6,895
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	84	83
Historical cost profit on ordinary activities before taxation	8,100	6,978
Historical cost profit retained after taxation	7,890	7,049

# H+S Aviation Limited

## Balance sheet 31 December 2011

	Notes	2011 £'000	2010 £'000
<b>Fixed assets</b>			
Intangible assets	9	3,939	4,143
Tangible assets	10	13,058	13,583
		<u>16,997</u>	<u>17,726</u>
<b>Current assets</b>			
Stocks	11	4,953	5,745
Debtors	12	25,620	15,744
Cash at bank and in hand		215	956
		<u>30,788</u>	<u>22,445</u>
<b>Creditors, amounts falling due within one year</b>	13	<u>(14,812)</u>	<u>(15,204)</u>
<b>Net current assets</b>		<u>15,976</u>	<u>7,241</u>
<b>Total assets less current liabilities</b>		32,973	24,967
<b>Provision for liabilities and charges</b>	14	(567)	(357)
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(9)</u>	<u>(19)</u>
<b>Net assets</b>		<u>32,397</u>	<u>24,591</u>
<b>Capital and reserves</b>			
Called up share capital	16	7,500	7,500
Revaluation reserve	17	1,484	1,568
Profit and loss account	17	23,413	15,523
<b>Shareholders' funds</b>	18	<u>32,397</u>	<u>24,591</u>

The financial statements of H+S Aviation Limited, registered number 422128, were approved by the Board of Directors and authorised for issue on ~~20<sup>th</sup> Sept~~ 2012

Signed on behalf of the Board of Directors



M Taylor  
Director

# H+S Aviation Limited

## Notes to the accounts Year ended 31 December 2011

### 1. Accounting policies

The principal company accounting policies are set out below and have been applied consistently throughout the current and preceding year

#### Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable United Kingdom law and accounting standards

#### Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Turnover and associated profit arising from engine repair and overhauls are recognised on a percentage completion basis once the terms of the contract have been agreed with the customer and the ultimate profitability of the contract can be determined with reasonable certainty. All current contracts are reviewed each period to ensure that there are no indications of a reduction in expected profitability.

#### Intangible fixed assets

Intangible fixed assets comprise licence fees and software and are included at cost, and amortised in equal annual instalments as follows

Licence fees	Over the life of the Licence
Software	3 years

#### Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. For aviation engines, cost comprises purchase price or materials, labour and attributable overheads incurred in returning the engine to serviceable condition.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows

Freehold buildings	20 to 50 years
Long leasehold properties	Over the life of the lease
Motor vehicles	4 years
Fixtures, fittings and equipment	3 to 10 years
Plant, machinery and tools	7 to 10 years

Depreciation is provided on aviation engines to write off the cost less estimated residual value over the engine's remaining flight hours, based on actual hours flown.

Assets in Construction are not depreciated until the asset is in service. The assets are then transferred to their correct category and depreciated as indicated above.

#### Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. 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 on a straight-line basis, and the capital element which reduces the outstanding obligation for future instalments.

# **H+S Aviation Limited**

## **Notes to the accounts Year ended 31 December 2011**

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

#### **Revaluation of land and buildings**

The company has taken advantage of the transitional provisions of FRS 15 'Tangible Fixed Assets', and retained the book amounts of certain freehold and leasehold land and buildings which were revalued prior to implementation of that standard. The tangible fixed assets affected were last revalued in March 1998 and the valuations have not subsequently been updated.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves.

On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

#### **Stocks**

Raw material stocks comprise aviation engines for resale, and parts and components used in the overhaul and repair of aviation engines. Work in progress comprises the cost of raw materials and an appropriate proportion of labour and overheads. Raw material stocks and work in progress are stated at the lower of cost and estimated net realisable value, which is based upon estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving and defective items where appropriate.

#### **Lease agreements**

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

#### **Foreign currencies**

Trading items are translated into sterling at the spot rate of exchange for the relevant accounting period. Balance sheet items in foreign currencies are translated into sterling at the spot rate of exchange at the balance sheet date. All foreign currency gains and losses are taken to the profit and loss account. Exchange gains and losses on forward contracts are taken to turnover and all other exchange gains and losses are taken to administrative expenses.

#### **Derivative Financial Instruments and Hedge Accounting**

Derivative Financial Instruments utilised by the company comprise foreign exchange contracts used for hedging purposes to manage the risk profile of an underlying exposure of the company in line with its risk management policies. All derivative instruments are recorded on the Balance Sheet at fair value. Recognition of gains or losses in derivative instruments depends on whether the instrument is designated as a hedge and the type of exposure it is designed to hedge.

Changes in the fair value of the derivative financial instruments classified as fair value through profit or loss and those that do not qualify for hedge accounting are recognised in the income statement as they arise, and included in the operating profit line of the income statement. Any interest earned or paid on financial instruments is charged to net interest.

#### **Financial Instruments**

Financial assets and liabilities are recognised on the company's balance sheet when the company becomes a party to the contract provisions of the instrument. Financial assets are accounted for at the trade date.

#### **Cash and Cash Equivalent**

Cash and cash equivalent comprise cash on hand and deemed deposits.

# **H+S Aviation Limited**

## **Notes to the accounts Year ended 31 December 2011**

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

#### **Financial Instruments (continued)**

##### **Trade Receivables**

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts

##### **Financial liabilities and equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities

##### **Bank Borrowings**

Interest-bearing bank loans and overdrafts are recorded at the proceeds received net of direct issue costs. Finance charges are accounted for on an accrual basis to the profit and loss account using effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

##### **Trade Payables**

Trade payables are not interest bearing and are stated at their nominal value

#### **Pensions**

The company provides pension arrangements to the majority of full time employees through a defined benefit scheme, which is operated by its ultimate parent company, BBA Aviation plc. It is not possible to identify the share of underlying assets and liabilities in this scheme which is attributable to the company on a consistent and reasonable basis. Therefore, the company has applied the provisions in FRS 17 to account for the scheme as if it was a defined contribution scheme.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### **Taxation**

The tax charge on the profit or loss for the year comprises current tax and deferred tax.

Current tax is the expected tax payable for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax for the company is provided on a full provision basis, providing for timing differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not provided on timing differences arising from the sale or revaluation of fixed assets unless, at the balance sheet date, a binding commitment to sell the asset has been entered into and it is unlikely that any gain will qualify for rollover relief.

Deferred tax is calculated using the enacted or substantively enacted rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited on the profit or loss account, except when it relates to items credited or charged directly to equity in which case the deferred tax is also dealt with in equity.

Deferred tax is not discounted.

In accordance with FRS 19, deferred tax assets are recognised only to the extent that it is regarded that it is more likely than not that future taxable profits will be available against which the assets can be utilised.

# H+S Aviation Limited

## Notes to the accounts Year ended 31 December 2011

### 1. Accounting policies (continued)

#### Interest receivable and payable

Amounts recorded within interest receivable and payable are recognised on an accrual basis

#### Cash flow statement

The company has taken advantage of the exemptions under FRS 1 (Revised) and has not produced a cash flow statement since its ultimate holding company produces a consolidated cash flow statement that is publicly available

#### Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 2. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described on page 3. In addition, the directors' report to the financial statements includes the company's objectives, policies and processes for managing its capital, financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

The company has sufficient financial resources together with long-term contracts with a number of customers and suppliers across different geographical areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook and have therefore adopted the going concern basis in preparing the annual report and accounts.

### 2. Turnover

Set out below is an analysis by destination of turnover by geographical area, which arose from the principal activity of the company

	2011 £'000	2010 £'000
United Kingdom	9,631	10,919
Mainland Europe	13,143	18,597
North America	21,905	21,498
Rest of the World	22,523	14,081
	<u>67,202</u>	<u>65,095</u>

The majority of the turnover is derived from the principal activity of the company being engine repair and overhaul

### 3. Other operating expenses

	2011 £'000	2010 £'000
Distribution costs	340	360
Administrative expenses	14,349	13,268
Foreign Exchange (Gains)/Losses	232	3
	<u>14,921</u>	<u>13,631</u>

# H+S Aviation Limited

## Notes to the accounts Year ended 31 December 2011

### 4. Finance charges (net)

#### Investment income

	2011 £'000	2010 £'000
Interest receivable and similar income	(48)	-

#### Interest payable and similar charges

	2011 £'000	2010 £'000
Bank loans and overdrafts	36	62
Finance Leases	2	-
	38	62

	2011 £'000	2010 £'000
Interest payable and similar charges	38	62
Less investment income	(48)	-
Finance charges (net)	(10)	62

### 5. Operating profit

Operating profit is stated after charging

	2011 £'000	2010 £'000
Auditor's remuneration		
- Fees payable for the audit of the company's annual accounts	44	52
Operating lease rentals		
- land and buildings	114	113
- plant and machinery	76	76
Depreciation	1,155	1,171
Amortisation of licence fees and software	570	217
Loss on Disposal of Tangible Fixed Assets	17	-

No amounts for other services have been paid to the auditor (2010 £nil)

# H+S Aviation Limited

## Notes to the accounts Year ended 31 December 2011

### 6. Staff costs

The average monthly number of employees (including directors) during the year was

	<b>2011</b>	<b>2010</b>
	<b>No.</b>	<b>No</b>
Manufacturing	214	212
Administration	135	134
	<u>349</u>	<u>346</u>

Their aggregate remuneration comprised

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	11,582	10,952
Social security costs	1,001	903
Other pension costs	996	1,217
	<u>13,579</u>	<u>13,072</u>

### Directors' remuneration

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
The remuneration of the directors was as follows		
Emoluments	193	174
Company pension contributions to money purchase schemes	-	-
	<u>-</u>	<u>-</u>

The number of directors who were members of pension schemes at the year end was as follows

	<b>2011</b>	<b>2010</b>
	<b>No.</b>	<b>No.</b>
Defined benefit scheme	1	1
Money purchase pension scheme	-	-
	<u>-</u>	<u>-</u>

The remuneration of the highest paid director was £193,206 (2010 £173,704)

The accrued pension entitlement under the company's defined benefit scheme of the highest-paid director at 31 December 2011 was £31,745 (2010 £52,814)



# H+S Aviation Limited

## Notes to the accounts Year ended 31 December 2011

### 7. Taxation

	2011 £'000	2010 £'000
United Kingdom corporation tax	-	-
Deferred tax		
Origination and reversal of timing differences	(210)	69
Total Tax (charge)/credit	<u>(210)</u>	<u>69</u>
Factors affecting the current tax charge		
	2011 £'000	2010 £'000
Profit on ordinary activities before taxation	8,016	6,895
Tax at the standard rate of corporation tax in the UK of 26.5 % (2010: 28%)	2,124	1,930
Permanent differences	55	49
Capital Allowances in (excess) of depreciation	(286)	(413)
Other timing differences	21	(15)
Tax losses claimed for no payment	(1,914)	(1,551)
Current tax charge	<u>-</u>	<u>-</u>

The tax charge of the company in future periods is expected to be affected most significantly by the availability of group relief for £nil consideration and the incurrence of expenses for which there is no tax relief available

### 8 Dividends

No final dividend has been proposed for the year ended 31 December 2011 (2010: £nil)

# H+S Aviation Limited

## Notes to the accounts Year ended 31 December 2011

### 9. Intangible fixed assets

	Licence fees and Software £'000
<b>Cost or valuation</b>	
At 1 January 2011	6,318
Additions	368
Disposals	(600)
At 31 December 2011	6,086
<b>Amortisation</b>	
At 1 January 2011	2,175
Charge for the year	570
Disposals	(598)
At 31 December 2011	2,147
<b>Net book value</b>	
At 31 December 2011	3,939
At 31 December 2010	4,143

### 10. Tangible fixed assets

	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Motor vehicles £'000	Fixtures and fittings £'000	Plant machinery and tools £'000	Aviation engines £'000	Payments on account and assets in the course of construction £'000	Total £'000
<b>Cost or valuation</b>								
At 1 January 2011	370	5,677	124	1,253	15,551	5,100	1,905	29,980
Additions	-	73	-	91	534	-	93	791
Disposals	-	-	-	(131)	(668)	(143)	-	(942)
Transfers	-	-	-	-	791	-	(791)	-
At 31 December 2011	370	5,750	124	1,213	16,208	4,957	1,207	29,829
<b>Depreciation</b>								
At 1 January 2011	199	1,738	97	854	11,830	1,679	-	16,397
Charge for the year	5	170	9	95	795	81	-	1,155
Disposals	-	-	-	(130)	(651)	-	-	(781)
At 31 December 2011	204	1,908	106	819	11,974	1,760	-	16,771
<b>Net book value</b>								
At 31 December 2011	166	3,842	18	394	4,234	3,197	1,207	13,058
At 31 December 2010	171	3,939	27	399	3,721	3,421	1,905	13,583

# H+S Aviation Limited

## Notes to the accounts

### Year ended 31 December 2011

#### 10. Tangible fixed assets (continued)

Freehold and leasehold land and buildings were valued during 1998 by Fuller Peiser, Property Consultants, on the basis of open market value for existing use. As a result of these valuations land was revalued upwards by £605,000 and buildings were revalued upwards by £1,101,000. A previous valuation carried out in 1993 by Fuller Peiser, Property Consultants revalued the land upwards by £509,000.

Payments on account and in the course of construction represent the cost of the new PT6T test cell which is nearing completion.

Motor vehicles includes three vans that were purchased under Finance Leases. The amount owed within one year is £9,483 and after more than one year is £9,477.

If land and buildings had not been revalued they would have been included at the following amounts:

	2011		2010	
	Freehold £'000	Long leasehold £'000	Freehold £'000	Long leasehold £'000
Cost	192	3,540	192	3,540
Depreciation	(60)	(1,194)	(57)	(1,113)
Net book value	<u>132</u>	<u>2,346</u>	<u>135</u>	<u>2,427</u>

#### 11. Stocks

	2011 £'000	2010 £'000
Raw materials and Work in Progress	4,953	5,745
	<u>4,953</u>	<u>5,745</u>

#### 12. Debtors

	2011 £'000	2010 £'000
Amounts falling due within one year		
Trade debtors	18,603	15,103
Amounts owed by parent undertaking	5,045	-
Amounts owed by group undertakings	1,402	239
V A T	151	56
Other debtors	9	38
Prepayments and accrued income	410	308
	<u>25,620</u>	<u>15,744</u>

# H+S Aviation Limited

## Notes to the accounts

### Year ended 31 December 2011

#### 13. Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Bank loans and overdrafts	-	2,714
Trade creditors	8,432	7,274
Amounts owed to group undertakings	3,897	2,884
Other taxation and social security	289	281
Other creditors – Finance Leases	10	9
Other creditors	241	698
Accruals and deferred income	1,943	1,344
	<u>14,812</u>	<u>15,204</u>

Bank loans and overdrafts are part of a group set off arrangement where group companies guarantee the overdraft

#### 14. Provisions for liabilities and charges

Deferred taxation provided in the financial statements is as follows

	2011 £'000	2010 £'000
Balance as at 1 January	(357)	(426)
Deferred tax credit/(charge) in year	(210)	69
Balance as at 31 December	<u>(567)</u>	<u>(357)</u>

Under Financial Reporting Standard Number 19, deferred taxation is provided for in full on certain timing differences. The company does not discount the provision.

The deferred taxation charge was mainly the result of the tax effect of timing differences as follows

Asset/(liability)	Provided		Unprovided	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Arising from accelerated capital allowances	(653)	(430)	-	-
Arising from other timing differences	86	73	-	-
	<u>(567)</u>	<u>(357)</u>	<u>-</u>	<u>-</u>

# H+S Aviation Limited

## Notes to the accounts Year ended 31 December 2011

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

	2011 £'000	2010 £'000
Amounts owed to parent undertaking	-	-
Finance leases	9	19

### 16. Share capital

	2011 £'000	2010 £'000
<b>Called-up and fully paid:</b>		
7,500,000 ordinary shares of £1 each	7,500	7,500

### 17 Reserves

	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2011	1,568	15,523	17,091
Transfer of realised profits	(84)	84	-
Retained profit for the year	-	7,806	7,806
At 31 December 2011	1,484	23,413	24,897

### 18. Reconciliation of movements in shareholders' funds

	2011 £'000	2010 £'000
Profit for the financial year	7,806	6,964
Net increase in shareholders' funds	7,806	6,964
Opening shareholders' funds	24,591	17,627
Closing shareholders' funds	32,397	24,591

# H+S Aviation Limited

## Notes to the accounts

### Year ended 31 December 2011

#### 19. Pension and other post-retirement benefits

The company participates in defined benefit pension schemes in the United Kingdom operated by BBA Aviation plc, whose assets are held in a separate trustee-administered fund. Contributions to the scheme are made and the pension cost is assessed using the projected unit method. The latest actuarial valuation of the scheme was as at 31 March 2009. During 2008, the Trustees of the UK defined benefit plan purchased from Legal & General Group plc an annuity to match the liabilities associated with pensioner members. Since the initial "buy-in", further tranches of annuities have been purchased periodically in respect of new pensioner liabilities. The annuity is an investment of the UK plan, and all pension liabilities and responsibility for future pension payments remain with the plan. The income from the annuity matches the payments to be made to the pensioner members; it covers and removes mortality risk in relation to those members which are the subject of the annuity purchase.

The IPP was closed to new members in 2002. On 1 March 2010, the future service benefits provided by this plan were changed from a final salary to a career average revalued earnings (CARE) basis. At the same time, benefits accrued in the IPP prior to 1 March 2010 were changed so that these now increase in line with inflation rather than future salary increases.

Contributions by the company to the scheme for the year were £878,598 (2010 £1,134,828).

In accordance with IAS 19, and subject to materiality, the latest actuarial valuations of the Group's defined benefit pension schemes and healthcare plan have been reviewed and updated as at 31 December 2010. The following weighted average financial assumptions have been adopted:

% per annum	2011 %	2010 %	2009 %
Discount rate	4.6	5.4	5.5
Rate of increase to pensionable salaries	3.3	3.7	3.9
Price Inflation	2.8	3.2	3.4
Rate of increase to pensions in payment	2.7	3.1	3.2

The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme. The assets of all pension schemes are:

Assets	2011 £m	2010 £m	2009 £m
Equities	69.4	73.0	78.9
Government Bonds	13.9	11.8	9.8
Corporate Bonds	31.8	27.6	23.1
Property	27.4	20.9	18.8
Insurance policies	270.1	263.6	279.2
Cash	8.3	7.4	1.4
<b>Total market values of scheme assets</b>	<b>420.9</b>	<b>404.3</b>	<b>411.2</b>

# H+S Aviation Limited

## Notes to the accounts Year ended 31 December 2011

### 19. Pension and other post-retirement benefits (continued)

	2011 £m	2010 £m	2009 £m
<b>Present value of defined benefit liabilities</b>	<b>430.5</b>	<b>399.1</b>	<b>425.4</b>
Deficit in the schemes	-	5.2	-
Related deferred tax asset	2.8	15.3	-
<b>Net pension liabilities</b>	<b>(12.4)</b>	<b>(15.3)</b>	<b>(14)</b>
		<b>2011 %</b>	<b>2010 %</b>
<b>Long-term expected return on assets</b>			
Equities		7.1	8.5
Government Bonds		2.8	4.2
Corporate Bonds		4.4	5.2
Other		3.0	4.1

The company is only a participant in the scheme and as such it cannot determine its share of the underlying assets and liabilities and therefore has not disclosed the relevant amounts chargeable to operating profit, amounts included as other finance income, amounts that would have been included in the statement of total recognised gains and losses and the effect of the scheme deficit on the profit and loss reserve. In preparing the financial statements, the 2008 long-term expected return on assets has been restated, based on advice from the actuaries.

### 20. Contingent liabilities

At 31 December 2011 the company had contingent liabilities, primarily in the form of bank guarantees, arising in the ordinary course of business of £163,428 (2010: £292,983).

### 21. Commitments

Capital commitments at the year end for which no provision has been made in these financial statements were as follows:

	2011 £'000	2010 £'000
Contracted and not provided for	204	867

The annual commitment under non-cancellable operating leases was as follows:

	2011		2010	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date				
- within one year	113	76	113	76
- between one to five years	74	39	187	115
- after five years	-	-	-	-
	<b>187</b>	<b>115</b>	<b>300</b>	<b>191</b>

## **H+S Aviation Limited**

### **Notes to the accounts**

#### **Year ended 31 December 2011**

**21. Commitments (continued)**

**Forward exchange rate contracts**

The company had outstanding commitments under forward exchange rate contracts of £35,447,618 (2010 £34,120,615). These contracts had a fair value of £(578,374) (2010 £(1,426,693)) at the year end.

**22. Related party transactions**

H+S Aviation Limited, as a wholly-owned subsidiary undertaking of BBA Aviation plc, has taken advantage of the exemption granted under paragraph 3(c) of Financial Reporting Standard 8 (Related Party Disclosures) not to disclose transactions with entities that are part of BBA Aviation plc as the consolidated financial statements of BBA Aviation plc, in which the Company is included, are publicly available.

**23. Ultimate holding company**

The company is a direct subsidiary undertaking of BBA Aviation plc, a company incorporated in Great Britain and registered in England and Wales, which is also the ultimate holding company and controlling party.

The largest and smallest group in which the results of H+S Aviation Limited are consolidated is that headed by BBA Aviation plc. The consolidated financial statements of the group are available to the public and may be obtained from the company secretary of BBA Aviation plc at 105 Wigmore Street, London W1U 1QY.

**24. Financial guarantees**

The Company participates in group banking arrangements with its parent company, BBA Aviation plc, and has access to a group cash management facility. The Company guarantees the facility to the extent of its cash deposited with its clearing bank. The Company has jointly and severally guaranteed the borrowings under these arrangements. The Company, through its parent, BBA Aviation plc, has access to the group's syndicated banking arrangements. Details of these arrangements are included in the financial statements of BBA Aviation plc.