

**H + S AVIATION LIMITED**

**(Registered Number 422128)**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 1995**



## **H + S AVIATION LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995**

The Directors present their annual report together with the audited financial statements for the year ended 31 December 1995.

#### **PRINCIPAL ACTIVITY AND BUSINESS REVIEW**

The principal activity of the Company is the overhaul of aviation engines, propellers and associated components.

#### **RESULTS AND DIVIDENDS**

The profit for the year after taxation amounted to £2,069,000 (1994: £2,238,000), which has been transferred to reserves. The Directors do not recommend payment of a final dividend (1994: £Nil).

#### **DIRECTORS AND DIRECTORS' INTERESTS**

The composition of the board of Directors during the year, and to the date of this report, was as follows:

J E R Barker  
P J Hewett (Chairman)  
A C Robinson (Managing Director)  
A L Russell  
S A Smith  
S C Wheeler

None of the Directors held any beneficial interests in the shares of the Company during the year.

# H + S AVIATION LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)

### DIRECTORS AND DIRECTORS' INTERESTS (Continued)

The interests of the Directors in the issued Ordinary share capital, Preference shares and Loan notes of Caradon plc, the ultimate parent undertaking, are as follows:

|                         | Ordinary<br>Shares<br>Number | Options<br>over<br>Ordinary<br>Shares<br>Number | Preference<br>Shares<br>Number | Loan<br>Notes<br>£ |
|-------------------------|------------------------------|---|--------------------------------|--------------------|
| <b>31 December 1995</b> |                              |   |                                |                    |
| J E R Barker            | -                            | 21,375  | -                              | -                  |
| A C Robinson            | -                            | 35,469  | -                              | -                  |
| A L Russell             | -                            | 14,642  | -                              | -                  |
| S A Smith               | -                            | 57,459  | -                              | -                  |
| S C Wheeler             | 104,563                      | 154,322   | 150,939                        | 5,534              |

### 31 December 1994

|              |         |        |         |        |
|--------------|---------|--------|---------|--------|
| J E R Barker | -       | 11,332 | -       | -      |
| A C Robinson | -       | 20,619 | -       | -      |
| A L Russell  | -       | 8,318  | -       | -      |
| S A Smith    | -       | 23,460 | -       | -      |
| S C Wheeler  | 100,149 | 94,107 | 150,939 | 12,534 |

The corresponding interests of P J Hewett who is also a director of Caradon plc, are disclosed in the financial statements of that company, being the ultimate parent undertaking, and are therefore not shown above.

The following options over ordinary shares of Caradon plc were granted to the Directors during the year:

| <u>Director</u> | <u>Options<br/>Granted<br/>Number of Shares</u> |
|-----------------|---|
| J E R Barker    | 15,999  |
| A C Robinson    | 20,806  |
| A L Russell     | 9,897   |
| S A Smith       | 33,999  |
| S C Wheeler     | 60,215  |

## **H + S AVIATION LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)**

#### **DIRECTORS AND DIRECTORS' INTERESTS (Continued)**

None of the Directors exercised their options over Ordinary shares of Caradon plc during the year.

No Director was or is interested in any transaction, arrangement or agreement with the Company which was material during or at the end of the year.

The Company has continued to provide liability insurance for its Directors and Officers as permitted by the Companies Act 1985.

#### **EMPLOYEE PARTICIPATION**

The Company is committed to employee participation and encourages the development of co-operation with employees.

The Company has continued to examine ways and means of providing employment for disabled employees, under normal terms and conditions, with opportunities for training, career development and promotion as appropriate. The Company's policy on the employment of disabled persons has been applied as sympathetically and positively as possible.

#### **FIXED ASSETS**

Information relating to the tangible fixed assets of the Company is given in note 7 to the accounts.

## **H + S AVIATION LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)**

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Companies Act 1985 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for the financial year. In preparing those 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 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 do so.

The Directors are responsible for keeping proper accounting records which disclose 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 1985. 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.

#### **AUDITORS**

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of Price Waterhouse as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board



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K D Richardson  
Secretary  
26 April 1996

## *Price Waterhouse*



### **AUDITORS' REPORT TO THE SHAREHOLDERS OF H + S AVIATION LIMITED**

We have audited the financial statements on pages 6 to 17 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on pages 9 and 10.

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page 4 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### **BASIS OF OPINION**

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

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

#### **OPINION**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*

Price Waterhouse  
Chartered Accountants and Registered Auditors  
26 April 1996

# H + S AVIATION LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1995

|   | <u>Notes</u> | <u>1995</u><br>£000 | <u>1994</u><br>£000 |
|---|--------------|---------------------|---------------------|
| <b>TURNOVER</b>   | 2            | 32,545              | 33,099              |
| Change in stocks of finished goods<br>and work in progress                    |              | (24)                | (1,061)             |
| Raw materials and consumables   |              | (13,731)            | (12,943)            |
| Other external charges  |              | (6,884)             | (8,064)             |
| Staff costs   | 4,5          | (7,609)             | (7,174)             |
| Depreciation  | 7            | (1,114)             | (1,081)             |
| <b>OPERATING PROFIT AND<br/>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> | 3            | 3,183               | 2,776               |
| Taxation on profit on ordinary activities                                     | 6            | (1,114)             | (538)               |
| <b>RETAINED PROFIT FOR THE YEAR</b>   | 14           | <u>2,069</u>        | <u>2,238</u>        |

The Company's turnover and operating profit are derived exclusively from continuing activities.

The Company has no recognised gains and losses other than the profit for the year disclosed above.

There is no difference between reported profits and profits on a historical cost basis.

The 1994 comparative for other external charges has been restated to include £4,453,000 other operating charges which is not disclosed separately this year.

The notes on pages 9 to 17 form part of these financial statements.

# H + S AVIATION LIMITED

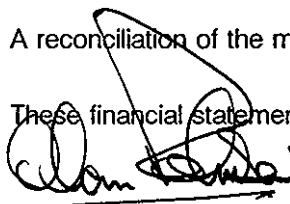
## BALANCE SHEET - 31 DECEMBER 1995

|  | Notes | 1995           | 1994           |
|--|-------|----------------|----------------|
|  |       | £000           | £000           |
| <b>FIXED ASSETS</b>                                    |       |                |                |
| Tangible assets  | 7     | 8,872          | 9,090          |
| <b>CURRENT ASSETS</b>                                  |       |                |                |
| Stocks   | 8     | 9,727          | 11,176         |
| Debtors  | 9     | 10,016         | 8,792          |
| Cash at bank and in hand                               |       | <u>179</u>     | <u>803</u>     |
|  |       | 19,922         | 20,771         |
| <b>CREDITORS - Amounts falling due within one year</b> | 10    | <u>(8,864)</u> | <u>(7,088)</u> |
| <b>NET CURRENT ASSETS</b>                              |       | <u>11,058</u>  | <u>13,683</u>  |
| <b>TOTAL ASSETS LESS CURRENT ASSETS</b>                |       | 19,930         | 22,773         |
| <b>CREDITORS - Amounts falling due after one year</b>  | 11    | (9,777)        | (14,689)       |
| <b>PROVISION FOR LIABILITIES AND CHARGES</b>           | 12    | <u>(195)</u>   | <u>(195)</u>   |
| <b>NET ASSETS</b>                                      |       | <u>9,958</u>   | <u>7,889</u>   |
| <b>CAPITAL AND RESERVES</b>                            |       |                |                |
| Called up share capital                                | 13    | 7,500          | 7,500          |
| Revaluation reserve                                    | 14    | 761            | 761            |
| Profit and loss account                                | 14    | <u>1,697</u>   | <u>(372)</u>   |
| <b>SHAREHOLDERS' FUNDS</b>                             |       | <u>9,958</u>   | <u>7,889</u>   |

The notes on pages 9 to 17 form part of these financial statements.

A reconciliation of the movement in shareholders' funds is included on page 8.

These financial statements were approved by the Board of Directors on 26 April 1996.

  
A C Robinson  
Director



## **H + S AVIATION LIMITED**

### **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

|  | <u>1995</u><br>£000 | <u>1994</u><br>£000 |
|--|---------------------|---------------------|
| Profit on ordinary activities after taxation | <u>2,069</u>        | <u>2,238</u>        |
| Net movement in shareholders' funds          | 2,069               | 2,238               |
| Shareholders' funds at 1 January             | <u>7,889</u>        | <u>5,651</u>        |
| Shareholders' funds at 31 December           | <u>9,958</u>        | <u>7,889</u>        |

The notes on pages 9 to 17 form part of these financial statements.

## **H + S AVIATION LIMITED**

### **NOTES TO THE ACCOUNTS - 31 DECEMBER 1995**

#### **1 ACCOUNTING POLICIES**

##### **(1) Accounting Convention**

The accounts have been prepared in accordance with applicable accounting standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

##### **(2) Basis of Accounting**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets.

##### **(3) Turnover**

Turnover represents the invoiced value of sales made to third parties, net of Value Added Tax.

##### **(4) Depreciation and Amortisation**

Tangible fixed assets are stated at cost with the exception of certain freehold and long leasehold land which are stated at valuation. These assets are written off using the straight line method.

No depreciation is provided on land. Long leasehold properties are amortised over 50 years.

For all other assets, depreciation is provided to write off the book amount of those assets over their expected useful lives at the following rates per annum:

|                            |          |
|----------------------------|----------|
| Freehold buildings         | - 2%     |
| Plant, machinery and tools | - 10-25% |
| Fixtures and fittings      | - 10%    |
| Motor vehicles             | - 25%    |

##### **(5) Stocks**

Stocks and work in progress are stated at the lower of cost and estimated net realisable value. The cost of work in progress comprises materials, labour and attributable overheads.

## **H + S AVIATION LIMITED**

### **NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (Continued)**

#### **1 ACCOUNTING POLICIES (Continued)**

##### **(6) Lease Agreements**

Rentals under operating leases are charged to the profit and loss account, as incurred, over the term of the lease.

##### **(7) Foreign Currencies**

Trading items are translated into sterling at average rates of exchange for the relevant accounting period. Balance sheet items in foreign currencies are translated into sterling at mid-market rates of exchange at the balance sheet date. All foreign currency gains and losses are taken to the profit and loss account.

##### **(8) Deferred Taxation**

Deferred taxation is provided on the liability method at current rates of taxation in respect of short term timing differences between profits computed for taxation purposes and profits as stated in the financial statements. Provision is made for other timing differences where a liability is expected to arise in the foreseeable future.

##### **(9) Pensions**

The retirement benefit obligations of the Company are financed by contributions to separate funds, which are subject to actuarial valuations every three years.

Pension costs in respect of employees who are members of the Caradon Group's Pension Scheme are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes.

## H + S AVIATION LIMITED

### NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (Continued)

#### 2 TURNOVER

Set out below is an analysis of the destination of turnover by geographical area:

|                    | <u>1995</u>   | <u>1994</u>   |
|--------------------|---------------|---------------|
|                    | £000          | £000          |
| United Kingdom     | 6,105         | 7,495         |
| Continental Europe | 16,479        | 15,160        |
| USA                | 4,790         | 4,600         |
| Other              | <u>5,171</u>  | <u>5,844</u>  |
|                    | <u>32,545</u> | <u>33,099</u> |

#### 3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after the following:

|   | <u>1995</u> | <u>1994</u> |
|---|-------------|-------------|
|   | £000        | £000        |
| Amounts charged by the Company's auditors |             |             |
| - Audit fees and expenses                 | 30          | 29          |
| - Tax and consultancy fees                | 8           | 6           |
| Rentals payable under operating leases    |             |             |
| - Land and buildings                      | 159         | 162         |
| - Plant and machinery                     | 30          | 10          |
| Profit on sales of fixed assets           | <u>(21)</u> | <u>(17)</u> |

#### 4 STAFF NUMBERS AND COSTS

The average number of persons employed by the Company (including Directors) during the year was:

|                | <u>1995</u> | <u>1994</u> |
|----------------|-------------|-------------|
|                | Number      | Number      |
| Manufacturing  | 208         | 208         |
| Administration | <u>144</u>  | <u>158</u>  |
|                | <u>352</u>  | <u>366</u>  |

# H + S AVIATION LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (Continued)

### 4 STAFF NUMBERS AND COSTS (Continued)

The aggregate payroll cost of these persons was:

|                               | <u>1995</u><br>£000 | <u>1994</u><br>£000 |
|-------------------------------|---------------------|---------------------|
| Wages and salaries            | 6,807               | 6,462               |
| Social security costs         | 700                 | 675                 |
| Other pension costs (note 15) | <u>102</u>          | <u>37</u>           |
|                               | <u>7,609</u>        | <u>7,174</u>        |

### 5 EMOLUMENTS OF DIRECTORS

(a) The aggregate (including pension contributions) of the directors paid by the Company was:

|                                 | <u>1995</u><br>£000 | <u>1994</u><br>£000 |
|---------------------------------|---------------------|---------------------|
| Remuneration                    | 386                 | 248                 |
| Compensation for loss of office | <u>-</u>            | <u>49</u>           |
|                                 | <u>386</u>          | <u>297</u>          |

(b) Emoluments (excluding pension contributions) of the directors were:

|                                | <u>1995</u><br>£000 | <u>1994</u><br>£000 |
|--------------------------------|---------------------|---------------------|
| (i) Chairman                   | Nil                 | Nil                 |
| (ii) The highest paid director | <u>149</u>          | <u>117</u>          |

The emoluments of all the directors fell within the following bands:

|                   | <u>Number</u> | <u>Number</u> |
|-------------------|---------------|---------------|
| £ Nil             | 3             | 3             |
| £10,001-£15,000   | -             | 1             |
| £55,001-£60,000   | -             | 1             |
| £60,001-£65,000   | -             | 1             |
| £70,001-£75,000   | 1             | -             |
| £80,001-£85,000   | 1             | -             |
| £115,001-£120,000 | -             | 1             |
| £145,001-£150,000 | <u>1</u>      | <u>-</u>      |
|                   | <u>6</u>      | <u>7</u>      |

# H + S AVIATION LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (Continued)

### 8 STOCKS

|                               | <u>1995</u>  | <u>1994</u>   |
|-------------------------------|--------------|---------------|
|                               | £000         | £000          |
| Raw materials and consumables | 7,867        | 9,292         |
| Work in progress              | <u>1,860</u> | <u>1,884</u>  |
|                               | <u>9,727</u> | <u>11,176</u> |

The estimated replacement cost of stocks does not materially exceed the balance sheet amounts.

### 9 DEBTORS

|   | <u>1995</u>   | <u>1994</u>  |
|---|---------------|--------------|
|   | £000          | £000         |
| Trade debtors   | 9,451         | 7,584        |
| Amounts owed by immediate parent undertaking and fellow subsidiary undertakings | -             | 14           |
| Other debtors   | 49            | 822          |
| Prepayments and accrued income  | <u>516</u>    | <u>372</u>   |
|   | <u>10,016</u> | <u>8,792</u> |

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

|   | <u>1995</u>  | <u>1994</u>  |
|---|--------------|--------------|
|   | £000         | £000         |
| Bank overdraft  | 227          | 35           |
| Trade creditors   | 4,922        | 3,235        |
| Amounts owed to immediate parent undertaking and fellow subsidiary undertakings | 661          | 741          |
| Other creditors   | 12           | 964          |
| Corporation tax   | 1,115        | 778          |
| Social security and other taxes   | 224          | 421          |
| Accruals and deferred income  | <u>1,703</u> | <u>914</u>   |
|   | <u>8,864</u> | <u>7,088</u> |

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

|  | <u>1995</u>  | <u>1994</u>   |
|--|--------------|---------------|
|  | £'000        | £'000         |
| Amounts owed to immediate parent undertaking | <u>9,777</u> | <u>14,689</u> |

The amounts owed to group undertakings are interest free, with no specific terms of repayment.