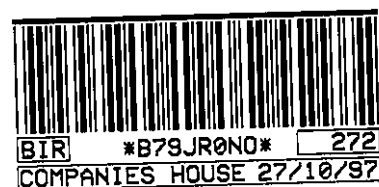


Orbit Flight Training Limited

Financial statements 31 December 1996

together with directors' and auditors' reports

Registered number: 1198843



Directors' report

For the year ended 31 December 1996

The directors present their annual report on the affairs of the company together with the financial statements and auditors' report for the year ended 31 December 1996.

Principal activity

The principal activity of the company is the provision of multi-simulator training facilities.

Review of business

Turnover for the year was £2,938,000 (1995 - £1,292,000). The profit after taxation was £638,000 (1995 - £nil).

The directors expect the level of activity to continue to improve as the Bangkok simulator comes into operation.

Results and dividends

	£
Accumulated deficit at 1 January 1996	(792,000)
Profit for the financial year	638,000
Accumulated deficit at 31 December 1996	<u>(154,000)</u>

No dividend is proposed by the directors.

Directors and their interests

The directors who served during the year were:

B. C. A. Asbee

G. A. Malherbe (resigned 16 September 1996)

E. Arrubarrena (appointed 16 September 1996)

G. L. Bryant (appointed 16 September 1996)

None of the directors held any interest in the shares of the company requiring disclosure under the Companies Act 1985.

Directors' report (continued)

Directors' responsibilities

Company law 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 and of the profit or loss of the company for that period. 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 presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which 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 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

During the year Pannell Kerr Forster resigned as auditors and Arthur Andersen were appointed to fill the resulting vacancy. The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

East Midlands Airport
Derby
DE74 2SA

17 October 1997

By order of the Board,



G. L. Bryant

Director

Auditors' report

Nottingham

To the Shareholders of Orbit Flight Training Limited:

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described in the directors' report on page 2, 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 circumstances of the company, 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 affairs of the company at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

Fothergill House
16 King Street
Nottingham
NG1 2AS

17 October 1997

Profit and loss account

For the year ended 31 December 1996

	Notes	1996 £'000	1995 £'000
Turnover	1(f)	2,938	1,292
Costs and overheads		(1,887)	(1,114)
Operating profit		1,051	178
Interest receivable		1	2
Interest payable	2	(600)	(169)
Profit on ordinary activities before taxation	3	452	11
Tax on profit on ordinary activities	5	186	(11)
Profit on ordinary activities after taxation	12	638	-

There are no recognised gains or losses for either year other than the profit for the year.

Note of historical cost profits and losses

	1996 £'000	1995 £'000
Reported profit on ordinary activities before taxation	452	11
Difference between an historical cost depreciation charge and the actual depreciation charge for the year	(349)	(349)
Historical cost profit for the year retained after taxation	103	(338)

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

31 December 1996

	Notes	1996 £'000	1995 £'000
Fixed assets			
Tangible assets	6	<u>24,571</u>	<u>11,055</u>
Current assets			
Debtors	7	579	396
Cash at bank and in hand		<u>29</u>	<u>-</u>
		608	396
Creditors: Amounts falling due within one year	8	<u>(22,957)</u>	<u>(2,319)</u>
Net current liabilities		<u>(22,349)</u>	<u>(1,923)</u>
Total assets less current liabilities		<u>2,222</u>	<u>9,132</u>
Creditors: Amounts falling due after more than one year	9	-	(7,362)
Provisions for liabilities and charges	10	<u>(1,194)</u>	<u>(1,380)</u>
Net assets		<u><u>1,028</u></u>	<u><u>390</u></u>
Capital and reserves			
Called-up share capital	11	250	250
Share premium account	12	932	932
Profit and loss account	12	<u>(154)</u>	<u>(792)</u>
		1,028	390
Shareholders' funds			
Equity interests		816	178
Non-equity interests		<u>212</u>	<u>212</u>
	13	<u><u>1,028</u></u>	<u><u>390</u></u>

Signed on behalf of the Board

G. L. Bryant

Director

17 October 1997

The accompanying notes are an integral part of this balance sheet.

Notes to financial statements

For the year ended 31 December 1996

1 Accounting policies

a) *Basis of preparation*

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, and in accordance with applicable accounting standards.

b) *Taxation*

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by tax legislation) has been calculated using the liability method. Deferred taxation is provided on timing differences which will probably reverse at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

c) *Tangible fixed assets*

Tangible fixed assets are stated at cost or valuation less accumulated depreciation. Depreciation is provided on the cost less estimated residual value of fixed assets in equal annual instalments over their estimated useful lives. The rates of depreciation are as follow:

Long-term leasehold properties	- between 2% and 5% per annum
Simulator and support equipment	- between 5% and 20% per annum
Fittings and equipment	- between 10% and 20% per annum
Motor vehicles	- 20% per annum

Depreciation is not charged in respect of advance payments relating to assets in course of construction.

d) *Foreign currency*

Normal trading activities denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction (or, where appropriate, at the rate of exchange in a related forward exchange contract). Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date (or, where appropriate, at the rate of exchange in a related forward exchange contract). Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

e) *Operating lease rentals*

Operating lease rentals are charged in the profit and loss account on a straight-line basis over the lease term.

f) *Turnover*

Turnover is exclusive of VAT and comprises the aggregate value of income derived from the provision of simulator training services. All turnover arose within the United Kingdom.

Notes to financial statements (continued)

1 Accounting policies (continued)

g) Pensions

The company participates in two pension schemes; the Thomson Retirement Benefits Scheme is a defined benefit scheme and the Thomson Retirement Savings Plan is a defined contribution scheme.

The expected cost of providing pensions in the defined benefits scheme, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of the employees in the schemes in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

The pension cost charge in respect of the defined contribution scheme represents contributions payable by the Company to the fund in respect of the year.

2 Interest payable

	1996 £'000	1995 £'000
Bank loans and overdrafts		
Repayable within 5 years	<u>600</u>	<u>169</u>

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1996 £'000	1995 £'000
Staff costs (see note 4)	475	447
Depreciation	772	387
Operating lease rentals:		
- plant and machinery	19	19
- other	2	2
Auditors' remuneration:		
- audit services	5	5
- non-audit services	<u>1</u>	<u>1</u>

4 Staff costs

a) Staff costs (including executive directors) during the year amounted to:

	1996 £'000	1995 £'000
Wages and salaries	406	383
Social security costs	39	29
Other pension costs	<u>30</u>	<u>35</u>
	<u>475</u>	<u>447</u>

Notes to financial statements (continued)

4 Staff costs (continued)

The average monthly number of persons employed by the company during the year was as follows:

	1996 Number	1995 Number
	<u>16</u>	<u>13</u>

b) Directors' remuneration was paid in respect of directors of the company as follows:

	1996 £'000	1995 £'000
Emoluments (including pension contributions)	<u>62</u>	<u>-</u>

The directors' aggregate emoluments shown above (excluding pension contributions) included:

	1996 £'000	1995 £'000
Highest paid director	<u>43</u>	<u>-</u>

The directors received emoluments (excluding pension contributions) in the following ranges:

	1996 Number	1995 Number
£15,001 - £20,000	1	2
£40,001 - £45,000	<u>1</u>	<u>-</u>

5 Tax on profit on ordinary activities

	1996 £'000	1995 £'000
Deferred taxation	186	(110)
Group relief receivable	-	99
	<u>186</u>	<u>(11)</u>

Notes to financial statements (continued)

6 Tangible fixed assets

The movement during the year was as follows:

	Long term leasehold properties £'000	Simulators and support equipment £'000	Other fittings and equipment £'000	Simulators in course of Construction £'000	Total £'000
Cost or valuation					
At 1 January 1996	568	11,416	101	-	12,085
Additions	293	7,798	12	6,187	14,290
Disposals	-	-	(12)	-	(12)
At 31 December 1996	861	19,214	101	6,187	26,363
Depreciation					
At 1 January 1996	25	910	95	-	1,030
Charge	19	748	5	-	772
Disposals	-	-	(10)	-	(10)
At 31 December 1996	44	1,658	90	-	1,792
Net book value					
At 31 December 1996	817	17,556	11	6,187	24,571
At 1 January 1996	543	10,506	6	-	11,055

The long term leasehold properties and simulators and support equipment were revalued on an open market value basis on 31 December 1993, with subsequent additions at cost, as follows:

	1996		1995	
	Long term leasehold properties £'000	Simulators and support equipment £'000	Long term leasehold properties £'000	Simulators and support equipment £'000
Assets included at valuation (1993)	300	5,248	300	5,248
Cost	561	13,966	268	6,168
Cost or valuation at 31 December 1996	861	19,214	568	11,416

The long term leasehold properties were revalued by Messrs Innes England, Chartered Surveyors. The simulators and support equipment were revalued by the directors.

Notes to financial statements (continued)

6 Tangible fixed assets (continued)

If these assets had not been revalued they would have been included at the following amounts:

	Long term leasehold property £'000	Simulators and support Equipment £'000
Cost	1,115	10,934
Depreciation	(374)	(5,440)
Net book value	<u>741</u>	<u>5,494</u>

7 Debtors

	1996 £'000	1995 £'000
Trade debtors	474	279
Amounts owed by group undertaking	92	105
Prepayments	13	11
Other debtors	-	1
	<u>579</u>	<u>396</u>

8 Creditors: Amounts falling due within one year

	1996 £'000	1995 £'000
Bank loans and overdrafts	21,292	1,570
Trade creditors	44	35
Amounts owed to group undertakings	1,416	561
Taxation and social security	53	41
Accruals	152	112
	<u>22,957</u>	<u>2,319</u>

The company is party to the Thomson (UK) Holdings Limited group banking arrangements which give the bank the right to set off cash balances against overdrafts.

Notes to financial statements (continued)

9 Creditors: Amounts falling due after more than one year

	1996 £'000	1995 £'000
Bank loans	-	1,227
Amounts owed to group undertakings	-	6,135
	<u>-</u>	<u>7,362</u>

The borrowings are charged interest at bank base rate.

	1996 £'000	1995 £'000
Unsecured borrowings		
Repayable 1-2 years	-	613
Repayable 3-5 years	-	6,749
	<u>-</u>	<u>7,362</u>

10 Provisions for liabilities and charges

Provisions for liabilities and charges comprises deferred taxation:

	1996 £'000	1995 £'000
At 1 January 1996	1,380	1,270
(Credited) charged to profit and loss account	(186)	110
At 31 December 1996	<u>1,194</u>	<u>1,380</u>

The analysis of the liability for deferred taxation is:

	1996 £'000	1995 £'000
Capital allowances in excess of depreciation	<u>1,194</u>	<u>1,380</u>

Deferred taxation has been calculated at 33% (1995: 33%).

There are no unprovided amounts (1995: nil).

Notes to financial statements (continued)

11 Called-up share capital

	1996 £'000	1995 £'000
Equity share capital		
37,500 authorised, allotted and fully paid ordinary shares of £1 each	38	38
Non-equity share capital		
12,500 authorised, allotted and fully paid participating preferred ordinary shares of £1 each	12	12
200,000 authorised, allotted and fully paid participating preference shares of £1 each	200	200
	<u>250</u>	<u>250</u>

Dividends are payable to non-equity shareholders at a rate equal to 5% (exclusive of associated tax credit) of the amount by which the adjusted net profit for the period exceeds £2,000,000.

12 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 1996	932	(792)
Retained profit for the year	-	638
At 31 December 1996	<u>932</u>	<u>(154)</u>

13 Reconciliation of movements in shareholders' funds

	1996 £'000	1995 £'000
Profit for the financial year	638	-
Shareholders' funds at 1 January 1996	390	390
Shareholders' funds at 31 December 1996	<u>1,028</u>	<u>390</u>

14 Guarantees and other financial commitments

a) Capital commitments

	1996 £'000	1995 £'000
Contracted for but not provided for	<u>2,395</u>	<u>-</u>

Notes to financial statements (continued)

14 Guarantees and other financial commitments (continued)

b) Leasing arrangements

The company has entered into non-cancellable operating leases in respect of motor vehicles and property. The minimum annual rentals are as follows:

	1996		1995	
	Property £'000	Other £'000	Property £'000	Other £'000
Operating leases which expire:				
- between 2 and 5 years	-	2	-	2
- after 5 years	19	-	19	-
	<u>19</u>	<u>2</u>	<u>19</u>	<u>2</u>

c) Pension commitments

The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of the employees in the schemes, in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

The company participated in two pension schemes. The Thomson Retirement Benefits Scheme (TRBS) is a defined benefit scheme, and the Thomson Retirement Savings Plan (TRSP) is a defined contribution scheme.

The latest actuarial valuation of the TRBS was performed as at 1 July 1994. The details of the actuarial valuation can be found in the accounts of the immediate parent company, Thomson Training & Simulation Limited.

15 Ultimate parent company

The company's immediate parent company is Thomson Training and Simulation Limited, incorporated in Great Britain.

The ultimate parent company is Thomson S.A., incorporated in France.

The largest group in which the results of Orbit Flight Training Limited are consolidated is that headed by Thomson S.A. The smallest group in which they are consolidated is that headed by Thomson CSF, incorporated in France.

The consolidated accounts of these groups are available to the public and may be obtained from 173, Boulevard Haussman, 75415 Paris, France.

As a subsidiary of Thomson SA, the company has taken advantage of the exemption in FRS8 "Related party disclosures" not to disclose transactions with other members of the group headed by Thomson SA.