

Company Registration No. 6707516

**Ontic Engineering & Manufacturing
UK Limited**

Report and Financial Statements

31 December 2010

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Ontic Engineering & Manufacturing UK Ltd

Report and financial statements 2010

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Ontic Engineering & Manufacturing UK Ltd

Directors' report

Directors

Iain Simm
Margaret Billson
Anthony Bristlin

Registered office

7th Floor, 20 Balderton Street
London
W1K 6TL

Bankers

HSBC Bank plc
14 Bradford Road
Cleckheaton
West Yorkshire
BD19 3JR

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditors
London

Ontic Engineering & Manufacturing UK Ltd

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditor report, for the year ended 31 December 2010

Results

The company's turnover for the year amounted to £2,701,828 (Period ended 31 December 2009 £649,852) and the profit after taxation was £340,296 (Period ended 31 December 2009 £81,752)

Principal activities

The principal activities of the company comprise the manufacture of legacy oxygen parts for the aviation industry worldwide

Business review

In 2008, the company acquired its first legacy licence. To support this licence, the company subsequently established a UK manufacturing facility, appointed and trained employees and received UK CAA/EASA Part 145 repair station / UK CAA/EASA Part 21G Manufacturing / ISO 9001 2008 and BS EN 9100 2003 certification from BSI / USA department of transportation. Following certification, the company commenced manufacturing operations and the supply of product to its customers. The successful certification and commencement of operations represented a key milestone for the company. For the reporting period, the key performance indicators that management monitors are revenue, which amounted to £2,701,828 (Period ended 31 December 2009 £649,852) and operating profit which amounted to £325,589 (Period ended 31 December 2009 £96,023).

As disclosed in note 18, in May 2011 the company reached an agreement to acquire the business and certain assets of GE Aviation Systems Limited's fuel gauging and fuel measurement systems business (the "Business") for \$62.5m on a cost and debt free basis, in addition to a further investment of \$7.0m in working capital and fixed assets. The Business generated \$43.2m in revenues and \$9.7m of EBITDA in the year to 31 December 2010. The acquisition was financed by capital provided by BBA Aviation plc.

Principal risks and uncertainties

The key risks facing the company are

- Further deterioration in the global economy resulting in reduction of airlines requirement for oxygen parts which may reduce flight schedules leading to decreased requirements or they may cease to trade
- Failing to acquire new licenses and, as a result, failing to meet the company's growth and financial targets

Future prospects

The directors consider the results for the year to 31 December 2010 to be satisfactory and expect that the present level of activity will increase in the foreseeable future

Ontic Engineering & Manufacturing UK Ltd

Directors' report

Going Concern

- The company is a profitable entity and expects to grow rapidly in the coming years as new licenses are acquired
- The company has a strong portfolio of geographically diverse customers across its business
- The company is a subsidiary of BBA Aviation plc, which has access to substantial cash facilities and also concluded in its published financial statements that it was a going concern

Based on these factors, the directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

Supplier payment policy

The company's policy is to agree to terms of payment with suppliers at the outset of the contract. Payment to trade creditors of the company at 31 December 2010 was equivalent to 35 days' purchases, based on the average daily amount invoiced by suppliers during the year.

Disabled employees

It is the company's policy to make reasonable accommodations and give full consideration to suitable applications for employment for disabled persons. In the event of a member of staff becoming disabled every effort would be made to ensure that employment continues or training is provided for other positions within the company.

Employee involvement

The company recognises the value of the involvement of its employees and continues the practice of keeping them informed of matters affecting them as employees and factors affecting the company's performance. During the year regular meetings were held with employees.

Directors

The directors who held office during the year were

Iain Simm

Margaret Billson

Anthony Bristlin (Appointed 27 April 2010)

Financial risk management

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. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. As the majority of the financial risks are managed by the treasury function of the ultimate parent company the directors consider these risks are fully mitigated.

Ontic Engineering & Manufacturing UK Ltd

Directors' report (continued)

Statement on information given to auditor

Each of the persons who is a Director at the date of approval of this report confirms that

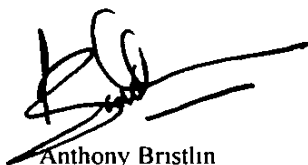
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that 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

Auditor

Deloitte LLP have 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

A handwritten signature in black ink, appearing to read 'Anthony Bristlin', with a long horizontal line extending to the right.

Anthony Bristlin
Director
13 September 2011

Ontic Engineering & Manufacturing UK Ltd

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 accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, 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 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 Ontic Engineering & Manufacturing UK Ltd

We have audited the financial statements of Ontic Engineering & Manufacturing UK Ltd for the year ended 31 December 2010 which comprises of the Profit and Loss Account, the Balance Sheet and the related notes 1 to 18. 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 the 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.

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 December 2010 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.

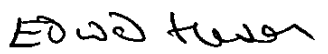
Opinion on other matter prescribed by the Companies Act 2006

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.

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.



Edward Hanson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
13 September 2011

Ontic Engineering & Manufacturing UK Ltd

Profit and loss account

For the year ended 31 December 2010

		2010	Period from 25-Sep-2008 to 31-Dec-2009
	Notes	£	£
Turnover	1	2,701,828	649,852
Cost of Sales		(1,237,278)	(783,871)
Gross Loss		1,464,550	(134,019)
Administrative expenses	3	(1,141,546)	(340,866)
Other Income	2	2,585	570,908
Operating Profit		325,589	96,023
Other interest receivable and similar income			
Interest Income		3,036	3,700
Profit on ordinary activities before taxation	3	328,625	99,723
Tax on profit on ordinary activities	6, 11	11,671	(17,971)
Profit on ordinary activities after taxation and retained profit for the year	14	340,296	81,752

All results derive from continuing operations

There were no recognised gains or losses in the current or prior year other than those reflected above

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

Ontic Engineering & Manufacturing UK Ltd

Balance sheet

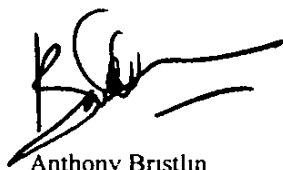
As at 31 December 2010

	Notes	2010 £	2009 £
Fixed Assets			
Intangible assets	7	2,981,658	3,097,826
Tangible assets	8	349,038	399,492
		<u>3,330,696</u>	<u>3,497,318</u>
Current Assets			
Stocks		527,465	645,052
Debtors	9	569,279	627,257
Cash at bank and in hand		710,936	141,160
		<u>1,807,680</u>	<u>1,413,469</u>
Creditors: amounts falling due within one year	10	(710,027)	(811,063)
Deferred Taxation	11	(6,300)	(17,971)
Current liabilities		<u>(716,327)</u>	<u>(829,034)</u>
Net current assets		<u>1,091,353</u>	<u>584,435</u>
Total assets less current liabilities		<u>4,422,049</u>	<u>4,081,753</u>
Creditors: amounts falling due after more than one year	12	(4,000,000)	(4,000,000)
Net assets		<u>422,049</u>	<u>81,753</u>
Capital reserves			
Share capital	13,14	1	1
Profit and loss account	14	422,048	81,752
Shareholders' funds	14	<u>422,049</u>	<u>81,753</u>

The accompanying notes form an integral part of this balance sheet

The financial statements of Ontic Engineering & Manufacturing UK Ltd (registered number 6707516) were approved by the Board of Directors on 13 September 2011

Signed on behalf of the Board of Directors



Anthony Bristlin

Director

Ontic Engineering & Manufacturing UK Ltd

Notes to the financial statements

For the year ended 31 December 2010

1. Accounting policies

Accounting convention

The principal accounting policies are summarised below and have been applied consistently throughout the year and proceeding period

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and law. In preparing the financial statements, the directors have adopted the going concern basis as explained in the Directors' Report.

The company has taken advantage of the exemption under FRS 1 (revised) from preparing a cash flow statement as it is a wholly owned subsidiary of a parent which prepares a group cash flow statement in its publicly available financial statement.

Tangible fixed assets

Tangible fixed assets are stated at cost and net of depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful economic life as follows:

Fixtures and fittings	-	10 years old
Leasehold Improvements	-	10 years old
Computer Equipment	-	3 years old
Machinery and Equipment	-	10 years
Motor vehicles	-	4 years

Intangible assets

The oxygen licence that was acquired from Kidde Graviner for £3,097,827 on 26 September 2008 is considered to have a useful economic life of 20 years. The amortization started in April 2010. Prior to this date, the license had been assigned an indefinite useful economic life and therefore no amortisation had been charged.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling using the rates of exchange at the balance sheet date.

All exchange differences are reflected in the operating profit for the year.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied and services provided by the Company.

Taxation

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

Ontic Engineering & Manufacturing UK Ltd

Notes to the financial statements

For the year ended 31 December 2010

1. Accounting policies (continued)

Taxation (Continued)

Deferred tax for the company is provided in the consolidated group financial accounts 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

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

Leases

Where assets are financed by lease arrangements that give rights similar to ownership (finance leases), the assets are treated as if they had been purchased and the leasing commitments are shown as obligations to the lessors. The capitalisation value of the assets are written off on a straight-line basis over the shorter of the periods of the leases or the useful lives of the assets concerned. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital payments outstanding

For all other leases (operating leases) the rental payments are charged to the profit and loss account on a straight-line basis over the lives of the leases

Pensions

Payments to defined contribution retirement schemes are charged as an expense as they fall due

Related party transactions

Under FRS 8, the Company is exempt from disclosing related party transactions with other group companies as 100% of the voting rights are controlled within the group and the ultimate parent company, BBA Aviation plc, has prepared consolidated financial statements which include the results of the Company for the period and are available to the public

Ontic Engineering & Manufacturing UK Ltd

Notes to the financial statements

For the year ended 31 December 2010

2 Other Income

	Year ended 31-Dec-10	Period from 25-Sep-08 to 31-Dec-2009
	£	£
Royalty income from Kidde Gravner	2,585	570,908

Royalties are earned in line with the 'Transition service agreement' signed with Kidde Gravner on 26 September 2008

3. Profit on ordinary activities before taxation

	Year ended 31-Dec-10	Period from 25-Sep-08 to 31-Dec-2009
	£	£
Auditor's remuneration		
– fee payable for the audit of the company's financial statements	15,000	4,500
Property Rent	94,123	86,279
Depreciation of tangible fixed assets - owned	53,814	19,957
Amortization of data license	116,168	-
Operating lease rentals - plant and machinery	1,834	1,909
Foreign exchange losses	2,368	1,479

4. Directors' emoluments

	Year ended 31-Dec-10	Period from 25-Sep-08 to 31-Dec-2009
	£	£
Remuneration	-	-
Company Contributions to defined contribution schemes	-	-
Highest paid director		
Remuneration	-	-
Company contributions to a defined contribution scheme	-	-

No Directors received any remuneration in the current period for services to the company

Ontic Engineering & Manufacturing UK Ltd

Notes to the financial statements

For the year ended 31 December 2010

5. Staff costs (including directors' emoluments)

	Year ended 31-Dec-10	Period from 25-Sep-08 to 31-Dec-2009
	£	£
Wages and salaries	835 867	350 807
Social security costs	44,203	32,726
Other pension costs	8,323	1,837
	<u>888,393</u>	<u>385,370</u>

The number of employees as at 31 December 2010 was as follows

	No.	No.
Production	3	4
Distribution	6	6
Administration	5	4
	<u>14</u>	<u>14</u>

6. Taxation charge

	Year ended 31-Dec-10	Period from 25-Sep-08 to 31-Dec-2009
	£	£
United Kingdom corporation tax at 28% based on the profit for the period	-	-
Adjustment in respect of prior year corporation tax	-	-
Total current tax charge	-	-
Deferred Tax		
Origination and reversal of timing differences (see note 11)	11,671	(17,971)
Total Tax Charge	<u>11,671</u>	<u>(17,971)</u>

Factors affecting the current tax charge

Profit on ordinary activities before taxation	<u>328 625</u>	<u>99 723</u>
Tax at the standard rate of corporation tax in the UK of 28%	92 015	27,922
Permanent differences	1 363	1,657
Capital allowances in excess of depreciation	2 816	(20,335)
Other timing differences	-	2,364
Tax losses claimed for no payment	(96 194)	(11 608)
Current tax charge	<u>-</u>	<u>-</u>

Ontic Engineering & Manufacturing UK Ltd

Notes to the financial statements

For the year ended 31 December 2010

6 Taxation charge (Continued)

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.

Factors that may affect future tax charge

Budget announcements

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010, which became law on 27 July 2010, includes legislation reducing the main rate of corporation tax from 28% to 27% from 1 April 2011. However, on 23 March 2011 the Government announced that the main rate of Corporation Tax rate would reduce to 26% with effect from 1 April 2011, with subsequent 1% reductions per annum to reach 23% with effect from 1 April 2014. These tax rate reductions had not been substantively enacted at the balance sheet date and therefore have not been reflected in the financial statements.

7 Intangible Assets

	Licenses	Total
Cost	£	£
At 1 January 2010	3,097,826	3,097,826
At 31 December 2010	<u>3,097,826</u>	<u>3,097,826</u>
Amortisation		
At beginning of period	-	-
Charge for the year	116,168	116,168
At end of period	<u>116,168</u>	<u>116,168</u>
Net book Value		
At 1 January 2010	<u>3,097,826</u>	<u>3,097,826</u>
At 31 December 2010	<u><u>2,981,658</u></u>	<u><u>2,981,658</u></u>

Ontic Engineering & Manufacturing UK Ltd

Notes to the financial statements

For the year ended 31 December 2010

8. Tangible fixed assets

	Leasehold improvement £	Computer Equipment £	Plant and machinery £	Motor vehicles £	Total £
Cost					
At 1 January 2010	249,451	37,008	109,990	23,000	419,449
Additions	462	692	2,903	-	4,057
Disposals	-	(1,474)	-	-	(1,474)
At 31 December 2010	<u>249,913</u>	<u>36,226</u>	<u>112,893</u>	<u>23,000</u>	<u>422,032</u>
Depreciation					
At 1 January 2010	8,064	9,022	2,871	-	19,957
Charge for year	24,992	12,056	11,016	5,750	53,814
Disposals	-	(777)	-	-	(777)
At 31 December 2010	<u>33,056</u>	<u>20,301</u>	<u>13,887</u>	<u>5,750</u>	<u>72,994</u>
Net book value					
At 31 December 2009	<u>241,387</u>	<u>27,986</u>	<u>107,119</u>	<u>23,000</u>	<u>399,492</u>
At 31 December 2010	<u>216,857</u>	<u>15,925</u>	<u>99,006</u>	<u>17,250</u>	<u>349,038</u>

9. Debtors

	2010 £	2009 £
Trade debtors	332,820	241,869
Amounts owed from group undertakings	2,291	19,717
Other Debtors	154,903	244,153
VAT	-	55,352
Prepayments and accrued income	<u>79,265</u>	<u>66,166</u>
	<u>569,279</u>	<u>627,257</u>

10. Creditors amounts falling due within one year

	2010 £	2009 £
Trade creditors	67,584	315,428
Amounts owed to group undertakings	70,508	45,863
VAT	22,379	-
Other taxes and social security costs	11,998	-
Accruals and deferred income	<u>537,558</u>	<u>449,772</u>
	<u>710,027</u>	<u>811,063</u>

Ontic Engineering & Manufacturing UK Ltd

Notes to the financial statements

For the year ended 31 December 2010

11. Deferred Tax

A deferred taxation liability is provided in the financial statements as follows

	2010 £
Balance as at 1 January	(17,971)
Deferred tax credit in year	11,671
Balance as at 31 December	<u>(6,300)</u>

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

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

Asset/(liability)	Provided		Unprovided	
	2007 £	2009 £	2007 £	2009 £
Arising from accelerated capital allowances	(6,300)	(20,335)	-	-
Arising from other timing differences	-	2,364	-	-
	<u>(6,300)</u>	<u>(17,971)</u>	<u>-</u>	<u>-</u>

12. Creditors: amounts falling due after more than one year

	2010 £	2009 £
Amounts owed to group undertakings	4,000,000	4,000,000
	<u>4,000,000</u>	<u>4,000,000</u>

The loan agreement expires on the 30 September 2014 and is interest free. All amounts are treated as long term creditors as there is no intention to repay any of these loans over the next 12 months.

13. Called up share capital

	2010 £	2009 £
Authorised:		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid:		
1 ordinary share of £1	<u>1</u>	<u>1</u>

Ontic Engineering & Manufacturing UK Ltd

Notes to the financial statements

For the year ended 31 December 2010

14. Reconciliation of movement in shareholders' funds and movements on reserves

	Share capital	Profit and loss account	Total
	£	£	£
At 1 January 2010	1	81,752	81,753
Profit for the year	-	340,296	340,296
At 31 December 2010	<u>1</u>	<u>422,048</u>	<u>422,049</u>

15 Pension schemes

The Company operates a Stakeholder pension contribution schemes for which the pension cost charge for the year amounted to £8,323. There is an outstanding contribution of £1,481 as at the balance sheet date.

16. Other financial commitments

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as set out below:

Operating Leases which expire;

	Other
Within two to five years	316,043
	<u>316,043</u>

17 Parent undertaking and controlling party

The company's immediate parent undertaking is APPH Limited. The ultimate controlling parent company is BBA Aviation plc.

The parent undertaking of the largest and smallest group which includes the company and for which group financial statements are prepared is BBA Aviation plc, a company incorporated in Great Britain and registered in England and Wales.

Copies of the group financial statements of BBA Aviation plc are available from 20 Balderton Street, London W1K 6TL.

18. Subsequent event

In May 2011, the company reached an agreement to acquire the business and certain assets of GE Aviation Systems Limited's fuel gauging and fuel measurement systems business (the "Business") for \$62.5m on a cost and debt free basis, in addition to a further investment of \$7.0m in working capital and fixed assets. The Business generated \$43.2m in revenues and \$9.7m of EBITDA in the year to 31 December 2010. The acquisition was financed by capital provided by BBA Aviation plc.