

# **Airline Rotables Limited**

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

**31 December 1996**

Registered number 2497977



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COMPANIES HOUSE 26/9/97

# Airline Rotables Limited

## Directors' report and financial statements

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# Airline Rotables Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

### Principal activities

Airline Rotables Limited ("ARL") is a specialist provider of aircraft component management and support services for Airbus A320 and Boeing 737 aircraft. ARL offers a completely flexible range of services from Total Support to individually tailored Management Support Services.

### Business review

1996 saw ARL continuing to grow both its B737 and A320 support business. The support programme grew to include several more aircraft and now covers operations in Europe, United States of America, India and the Far East.

There is a growing recognition that the ownership of inventory is not a requirement for successful operations and it is apparent that the ARL concept is now accepted by all airlines large and small.

As part of a plan to identify with the provision of a quality service, application was made through BVQ1 for ISO 9002 accreditation. This was granted in December.

As the number of B737 and A320 aircraft in operation grows ARL is well placed to take advantage of this and is in a position to provide component support services to a wider customer base.

### Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend. The profit for the year retained in the company is US\$433,043.

### Significant changes in fixed assets

Changes in fixed assets are detailed in note 8 of the accounts.

# Airline Rotables Limited

## Directors' report

### Directors and directors' interests

The directors who held office during the year were as follows:

Boon Swan Foo	(appointed 1 January 1996)
ET Evans	(resigned 1 January 1996)
D Erridge	
KF Tang	(resigned 1 January 1996)
M Chua	(resigned 1 January 1996)
B Yeo	(appointed 1 January 1996)
Wee Siew Kim	(appointed 1 January 1996)

On 1 January 1996, Mr ET Evans, Mr KF Tang and Mr M Chua resigned as directors, Mr SF Boon, Mr SK Wee were appointed as directors, and Mr B Yeo was appointed a full director.

No director holding office at 31 December 1996 had any interest in the shares of the company at the beginning or end of the year.

### Auditors

Persuant to Section 386 of the Companies Act 1985 an elective resolution to dispense with the obligation to appoint auditors annually has been passed at an Annual General Meeting. The auditors KPMG therefore will remain in office until such time as the elective resolution ceases to have effect.

By order of the board

  
D Erridge  
Director

28 February 97

6002, Taylors End  
Stansted Airport  
Stansted  
Essex  
CM24 1RL

# Airline Rotables Limited

## Statement of 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 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;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



37 Hills Road  
Cambridge  
CB2 1XL

## Auditors' report to the members of Airline Rotables Limited

We have audited the financial statements on pages 5 to 19.

### *Respective responsibilities of directors and auditors*

As described on page 3 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.

### *Fundamental uncertainty*

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements regarding the preparation of the financial statements on a going concern basis. This basis may not be appropriate because the company's current liabilities exceed its current assets by \$6,778,001 at 31 December 1996. Should the company be unable to continue trading, adjustment would have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities which might arise, and to reclassify fixed assets and long term liabilities as current assets and liabilities. Details of the circumstances relating to this fundamental uncertainty are described in note 1. Our opinion is not qualified in this respect.

### *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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG  
Chartered Accountants  
Registered Auditors

13 March 1997

# Airline Rotables Limited

## Profit and loss account

for the year ended 31 December 1996

	Note	1996		1995	
		US\$	US\$	US\$	US\$
<b>Turnover</b>	2	10,839,609		8,764,048	
Cost of sales		(6,754,936)		(5,346,012)	
<b>Gross profit</b>		4,084,673		3,418,036	
Distribution costs		(1,720,313)		(866,365)	
Administrative expenses		(1,425,152)		(1,286,572)	
		(3,145,465)		(2,152,937)	
<b>Operating profit</b>		939,208		1,265,099	
Interest receivable and similar income		24,047		26,063	
Interest payable and similar charges	6	(283,212)		(317,170)	
		(259,165)		(291,107)	
<b>Profit on ordinary activities before taxation</b>	3	680,043		973,992	
Tax on profit on ordinary activities	7	(247,000)		(290,952)	
<b>Profit on ordinary activities after taxation</b>		433,043		683,040	
Accumulated profits brought forward		733,873		50,833	
<b>Accumulated profits carried forward</b>		1,166,916		733,873	

There were no acquisitions and no discontinued operations within the company. The company has no recognised gains and losses other than those reflected in the profit and loss account and accordingly, a separate statement of recognised gains and losses has not been prepared.

# Airline Rotables Limited

## Balance sheet at 31 December 1996

	Note	1996		1995	
		US\$	US\$	US\$	US\$
<b>Fixed assets</b>	8				
Tangible assets			9,121,492		7,565,272
<b>Current assets</b>					
Debtors	9	4,054,006		2,741,328	
Cash at bank		319,989		524,632	
		<u>4,373,995</u>		<u>3,265,960</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(11,151,996)</u>		<u>(9,167,784)</u>	
<b>Net current liabilities</b>			<u>(6,778,001)</u>		<u>(5,901,824)</u>
<b>Total assets less current liabilities</b>			2,343,491		1,663,448
<b>Provisions for liabilities and charges</b>	11		<u>(874,500)</u>		<u>(627,500)</u>
<b>Net assets</b>			<u>1,468,991</u>		<u>1,035,948</u>
<b>Capital and reserves</b>					
Called up share capital	12		302,075		302,075
Profit and loss account	13		1,166,916		733,873
<b>Shareholders' funds</b>	14		<u>1,468,991</u>		<u>1,035,948</u>

These financial statements were approved by the board of directors on 28 February 97 and were signed on its behalf by:

  
D Erridge  
Director



# Airline Rotables Limited

## Cash flow statement

for the year ended 31 December 1996

	<i>Note</i>	<b>1996</b> US\$	<b>1995</b> US\$
Operating profit		939,208	1,265,099
Deprecation		913,720	920,084
Decrease in stocks		-	33,342
Increase in debtors		(1,312,678)	(1,352,022)
Increase in creditors		2,592,664	2,048,888
(Profit)/loss on sale of tangible fixed assets		(32,064)	182,336
<b>Net cash inflow from operating activities</b>		<b>3,100,850</b>	<b>3,097,727</b>
 Net cash inflow from operating activities		<b>3,100,850</b>	<b>3,097,727</b>
Returns on investments and servicing of finance	16	(259,165)	(291,107)
Taxation		(8,452)	-
Capital expenditure	16	(2,437,876)	(2,972,106)
Financing	16	(600,000)	(25,000)
 Decrease in cash		<b>(204,643)</b>	<b>(190,486)</b>
 <b>Reconciliation of net cash flow to movement in net debt (note 17)</b>			
Decrease in cash in the period		(204,643)	(190,486)
Repayment of loan		600,000	25,000
Net debt at 1 January 1996		(4,100,368)	(3,934,882)
 Net debt at 31 December 1996		<b>(3,705,011)</b>	<b>(4,100,368)</b>

# Airline Rotables Limited

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

The adoption of the going concern basis in the preparation of these financial statements is dependent upon the continued support of the parent company. The directors believe that this support will be forthcoming as they believe the company will continue to generate sufficient cash from its operations to reduce its current obligations. Should the company be unable to continue trading, adjustment would have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities which might arise, and to reclassify fixed assets and long term liabilities as current assets and liabilities.

#### *Fixed assets and depreciation*

Aircraft rotatable spares are acquired and held by the company for exchange with customers when a specific part in their aircraft requires repair. After exchange the company arranges for the necessary repairs to be carried out to the exchanged unit and then places it in its inventory in place of the original. The company thus holds for exchange a permanent inventory of specific spares and classifies this holding as a tangible fixed asset.

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Rotables	-	6.67%
Short-term leasehold improvements	-	Over the term of the lease
New motor vehicles	-	20%
Used motor vehicles	-	Over the time remaining until the vehicle is five years old
Fixtures and fittings	-	20%
Computer equipment	-	20%

#### *Foreign currencies*

The company, although incorporated in Great Britain, produces its financial statements in US dollars. The directors have adopted this currency in preparing the financial statements as the company operates in an international market where the US dollar is the currency in which most transactions are carried out.

Transactions in currencies other than US dollars are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than US dollars are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

# Airline Rotables Limited

## Notes *(continued)*

### 1 Accounting policies *(continued)*

#### *Leases*

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 over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value.

#### *Turnover*

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

# Airline Rotables Limited

## Notes (continued)

### 2 Analysis of turnover and profit on ordinary activities before taxation

	1996 US\$ Turnover	1995 US\$ Turnover
<i>By geographical market</i>		
Asia	3,913,497	2,925,131
Europe other than United Kingdom	3,939,074	4,409,122
United Kingdom	2,409,498	1,300,837
Other	577,540	128,958
	<hr/> 10,839,609	<hr/> 8,764,048

The turnover and pre-tax profit are attributable mainly to the support of spares and components for aircraft operators.

### 3 Profit on ordinary activities before taxation

	1996 US\$	1995 US\$
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration		
Audit	34,074	21,161
Other services	14,363	15,010
Depreciation and other amounts written off tangible fixed assets:	913,720	920,084
Exchange losses	172,610	11,396
Hire of plant and machinery - rentals payable under operating leases	547,820	378,794
Hire of other assets - operating leases	84,276	80,720
	<hr/>	<hr/>

The total amount charged to revenue for the hire of plant and machinery amounted to US\$547,820 (1995: US\$378,794). This comprises rentals payable under operating leases.

There is no material difference between the reported profit on ordinary activities before taxation and historical profits before taxation.

# Airline Rotables Limited

## Notes (continued)

### 4 Remuneration of directors

	1996 US\$	1995 US\$
Directors' emoluments:		
As directors	-	-
Remuneration as executives	<u>94,701</u>	<u>227,420</u>

The emoluments, excluding pension contributions, of the chairman were US\$ nil (1995: US\$ Nil) and those of the highest paid director were US\$ 94,701 (1995: US\$ 115,115).

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid directors) were within the following ranges:

					Number of directors	
					1996	1995
\$0	-	\$7,763	(£0	- £5,000)	3	5
\$7,799	-	\$15,596	(£ 5,001	- £10,000)	-	-
\$38,991	-	\$46,787	(£25,001	- £30,000)	-	-
\$70,182	-	\$77,979	(£45,001	- £50,000)	-	1
\$93,576	-	\$101,373	(£60,001	- £65,000)	1	-
\$108,683	-	\$116,445	(£70,001	- £75,000)	-	1

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1996	1995
Sales and distribution	24	19
Administration	8	6
	<u>32</u>	<u>25</u>

# Airline Rotables Limited

## Notes *(continued)*

### 5 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	1996 US\$	1995 US\$
Wages and salaries	853,444	670,189
Social security costs	77,190	67,721
Other pension costs	71,560	33,931
	<u>1,002,194</u>	<u>771,841</u>

### 6 Interest payable and similar charges

	1996 US\$	1995 US\$
On bank loans, overdrafts and other loans wholly repayable within five years	<u>283,212</u>	<u>317,170</u>

# Airline Rotables Limited

## Notes (continued)

### 7 Taxation

	1996 US\$	1995 US\$
UK corporation tax at 33% (1994: 33%) on the profit for the year on ordinary activities	-	8,452
Deferred taxation (note 11)	247,000	282,500
	<u>247,000</u>	<u>290,952</u>

The corporation tax liability for both 1995 and 1996 has been reduced through the utilisation of brought forward trading losses retained in the company.

### 8 Tangible fixed assets

	Aircraft rotable spares US\$	Short-term leasehold improvements US\$	Motor vehicles US\$	Fixtures and fittings and office equipment US\$	Total US\$
<b>Cost</b>					
At beginning of year	9,435,180	94,286	100,659	263,374	9,893,499
Additions	2,319,104	97,684	67,035	48,889	2,532,712
Disposals	(67,512)	-	(81,763)	-	(149,275)
At end of year	<u>11,686,772</u>	<u>191,970</u>	<u>85,931</u>	<u>312,263</u>	<u>12,276,936</u>
<b>Depreciation and diminution in value</b>					
At beginning of year	2,100,693	18,117	75,943	133,474	2,328,227
Charge for year	847,992	5,966	25,397	34,365	913,720
On disposals	(9,084)	-	(77,419)	-	(86,503)
At end of year	<u>2,939,601</u>	<u>24,083</u>	<u>23,921</u>	<u>167,839</u>	<u>3,155,444</u>
<b>Net book value</b>					
At 31 December 1996	<u>8,747,171</u>	<u>167,887</u>	<u>62,010</u>	<u>144,424</u>	<u>9,121,492</u>
At 31 December 1995	<u>7,334,487</u>	<u>76,169</u>	<u>24,716</u>	<u>129,900</u>	<u>7,565,272</u>

# Airline Rotables Limited

## Notes (continued)

### 9 Debtors

	1996 US\$	1995 US\$
Trade debtors	1,082,811	901,288
Amounts owed by fellow subsidiary undertakings	1,600,877	930,173
Other debtors	1,143,232	741,454
Prepayments and accrued income	227,086	168,413
	<u>4,054,006</u>	<u>2,741,328</u>

### 10 Creditors: amounts falling due within one year

	1996 US\$	1995 US\$
Bank loans and overdrafts	4,025,000	4,625,000
Trade creditors	2,487,842	2,133,817
Amounts owed to group undertakings	2,647,313	1,097,089
Other creditors including taxation and social security:		
Corporation Tax	-	8,452
Accruals and deferred income	1,991,841	1,303,426
	<u>11,151,996</u>	<u>9,167,784</u>



# Airline Rotables Limited

## Notes (continued)

### 11 Provisions for liabilities and charges

	Deferred taxation US\$
At beginning of year	627,500
Charge for the year in the profit and loss account	247,000
	<hr/>
At year end	874,500
	<hr/>

The amounts provided in the financial statements which represent full provision for deferred taxation liabilities are as follows:

	1996 US\$	1995 US\$
Difference between accumulated depreciation and capital allowances	1,047,500	826,770
Other timing differences	30,365	-
Unutilised trading losses	(203,365)	(199,270)
	<hr/>	<hr/>
	874,500	627,500
	<hr/>	<hr/>

### 12 Called up share capital

	1996 £	1995 £
<i>Authorised</i>		
1,000 Shares of £1 each	1,000	1,000
199,000 Ordinary shares of £1 each	199,000	199,000
	<hr/>	<hr/>
	200,000	200,000
	<hr/>	<hr/>
	US\$	US\$
<i>Allotted, called up and fully paid</i>		
2 shares of £1 each	4	4
159,998 ordinary shares of £1 each	302,071	302,071
	<hr/>	<hr/>
	302,075	302,075
	<hr/>	<hr/>

# Airline Rotables Limited

## Notes *(continued)*

### 13 Reserves

	Profit and loss account US\$
At beginning of year	733,873
Transfer from profit and loss account	433,043
	<hr/>
At end of year	1,166,916
	<hr/>

### 14 Reconciliation of movements in shareholders' funds

	1996 US\$	1995 US\$
Profit for the financial year	433,043	683,040
	<hr/>	<hr/>
Net addition to shareholders' funds	433,043	683,040
Opening shareholders' funds	1,035,948	352,908
	<hr/>	<hr/>
Closing shareholders' funds	1,468,991	1,035,948
	<hr/>	<hr/>

# Airline Rotables Limited

## Notes (continued)

### 15 Commitments

- (i) Capital commitments at the end of the financial year for which no provision has been made.

	1996 US\$	1995 US\$
Contracted	-	-
Authorised but not contracted	-	-
	<u>          </u>	<u>          </u>

- (ii) Annual commitments under non-cancellable operating leases are as follows:

	1996		1995	
	Land and buildings US\$	Other US\$	Land and buildings US\$	Other US\$
Operating leases which expire:				
Within two to five years	-	1,786,995	-	928,085
Over five years	151,105	-	78,822	-
	<u>151,105</u>	<u>1,786,995</u>	<u>78,822</u>	<u>928,085</u>

# Airline Rotables Limited

## Notes (continued)

### 16 Gross cash flows

	1996 US\$	US\$
<b>Returns on investment and servicing of finance</b>		
Interest received	24,047	
Interest paid	(283,212)	
		(259,165)
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(2,532,713)	
Receipts from sales of tangible fixed assets	94,837	
		(2,437,876)
<b>Finance</b>		
Repayment of loan		(600,000)

### 17 Analysis of changes in net debt

	At 1 Jan 1996 US\$	Cash flow US\$	At 31 Dec 1996 US\$
Cash in hand, at bank	524,632	(204,643)	319,989
Debt due within 1 year	(4,625,000)	600,000	(4,025,000)
Total	(4,100,368)	395,537	(3,705,011)

# Airline Rotables Limited

## Notes *(continued)*

**18 Ultimate parent company and parent undertaking of larger group of which the company is a member**

The company is a subsidiary undertaking of Singapore Technologies Pte Ltd incorporated in the Republic of Singapore.

The largest group in which the results of the company are consolidated is that headed by Singapore Technologies Pte Ltd, incorporated in the Republic of Singapore. The smallest group in which they are consolidated is that headed by Singapore Technologies Aerospace Ltd, incorporated in the Republic of Singapore.

The consolidated accounts of Singapore Technologies Pte Ltd and Singapore Technologies Aerospace Ltd are available to the public and may be obtained from the Registry of Companies and Businesses of Singapore, 10 Anson Road, #05-01, Singapore 0207.