

Airline Rotables Limited

**Directors' report and financial
statements**

Registered number 2497977

31 December 2012

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Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2012

Principal activities and review of the business

The principal activity of the company continues to be the component support of the Boeing, Airbus and Dash 8 – Q400 aircraft

Business review

The company's key performance indicators are as follows

	2012 \$000	2011 \$000
Turnover	18,952	12,013
Gross profit	663	561
Operating loss	(1,971)	(2,112)
Loss on ordinary activities before tax	(813)	(2 118)

Turnover was higher than the prior year, as a result of supporting a major UK customer with a large fleet of aircraft and several smaller customers on component support during the year

Results and dividends

The loss for the year, after taxation, amounted to \$789,640 (2011 \$1,967,160)

The directors do not recommend the payment of a dividend (2011 \$nil)

Directors

The directors who held office during the year were

Seow Juay Tan

William Dorai Ambrose

Min En Chu

Competitive risk

The company is reliant on major Q400 contracts sub-contracted from STA Solutions (Europe) A/S, another group company, for its revenue

Going concern

On the basis of the directors' assessment of the financial position of the company and the basis of preparation set out in note 1 to the financial statements, which is reliant upon continued parental support, the directors have a reasonable expectation that the company will be able to continue to be able to meet its obligations as they fall due. Thus the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements

Future developments

It is anticipated that the year ahead shall see changes as a result of integration and a review of activities. Support of customers will continue and is expected to be strengthened by the close proximity of the immediate parent undertaking in Copenhagen

Qualifying third party indemnity provisions

The company has taken out insurance to indemnify against third party proceedings the directors of the company whilst serving on the board of the company. These indemnity policies subsisted throughout the year and remain in place at the date of this report

Directors' report *(continued)*

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



Seow Juay Tan
Director

15th July 2013

6002 Taylors End
Stansted Airport
Stansted
Essex
CM24 1RL

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' 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 they 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 judgments 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 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.



KPMG LLP

Botanic House
100 Hills Road
Cambridge
CB2 1AR
United Kingdom

Independent auditor's report to the members of Airline Rotables Limited

We have audited the financial statements of Airline Rotables Limited for the year ended 31 December 2012 set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 auditors' 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 set out on page 3, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

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 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

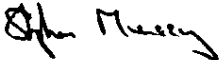
In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Airline Rotables Limited *(continued)*

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



Stephen Muncey (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Botanic House
100 Hills Road
Cambridge
CB2 1AR
United Kingdom

15 July 2013

Profit and Loss Account
for the year ended 31 December 2012

	<i>Note</i>	2012 \$	2011 Restated \$
Turnover	2	18,952,319	12,013,031
Cost of sales		(18,289,112)	(11,452,384)
		<hr/>	<hr/>
Gross profit		663,207	560,647
Selling and distribution costs		(1,605,153)	(1,059,317)
Administrative expenses		(1,029,021)	(1,613,162)
		<hr/>	<hr/>
Operating loss	3	(1,970,967)	(2,111,832)
Profits on the disposal of fixed assets	3	1,150,762	146,154
Interest payable and similar charges	5	(34,452)	(27,834)
Interest receivable	6	824	454
Finance income/(expense)	7	41,248	(124,474)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(812,585)	(2,117,532)
Tax on loss on ordinary activities	8	22,945	150,372
		<hr/>	<hr/>
Loss for the financial year	15,16	(789,640)	(1,967,160)
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account

The notes on pages 8 to 16 form part of these financial statements

Balance Sheet
at 31 December 2012

	Note	2012	2011
		\$	\$
Fixed assets			
Tangible fixed assets	9	1,694,002	2 035 737
Current assets			
Debtors	10	6,136,738	4,500,656
Cash at bank		1,442,270	687,853
		<u>7,579,008</u>	<u>5,188,509</u>
Creditors amounts falling due within one year	11	(19,653,138)	(16,814,734)
Net current liabilities		<u>(12,074,130)</u>	<u>(11,626,225)</u>
Total assets less current liabilities		<u>(10,380,128)</u>	<u>(9,590,488)</u>
Creditors , amounts falling due after more than one year	12	(4,000,000)	(4,000,000)
Net liabilities		<u>(14,380,128)</u>	<u>(13,590,488)</u>
Capital and reserves			
Called up share capital	14	302,075	302,075
Profit and loss account	15	(14,682,203)	(13,892,563)
Shareholders' deficit	16	<u>(14,380,128)</u>	<u>(13,590,488)</u>

The notes on pages 8 to 16 form part of these financial statements

These financial statements were approved by the board of directors on 15th July 2013 and were signed on its behalf by


Seow Juay Tan
Director

Company registered number 2497977

Notes

(forming part of the financial statements)

1. Accounting policies

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards

Going concern

The company's business activities are set out in the principal activities section of the directors' report on page 1

The company is dependent upon continuing finance being made available by its ultimate parent undertaking to enable it to meet its liabilities as they arise. The ultimate parent undertaking has agreed to provide sufficient funds (for at least twelve months from the date of these accounts) to enable the company to meet its liabilities as they arise and not recall amounts due to it if to do so would prevent the company from meeting its liabilities. The directors believe it is therefore appropriate to prepare the financial statements on the going concern basis

Turnover

Turnover comprises revenue by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts

Fixed assets

Aircraft rotables 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 parts which are classified as tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value over their expected useful lives on the following bases -

Leasehold property	-	Over the term of the lease
Fixtures, fittings and equipment	-	1 - 5 years
Aircraft rotables	-	8 - 25 years

The carrying values of tangible fixed assets are reviewed for impairment in periods of events or changes in circumstances which indicate the carrying value may not be recoverable

Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line period over the period until the date the rent is expected to be adjusted to the prevailing market rate

Notes (continued)

1. Accounting policies (continued)

Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

Foreign currencies

All transactions are recorded in the functional currency (US \$) of the principal operating environment in which the Company operates. Transactions not carried out in the functional currency of the Company are translated to this currency using the exchange rates applying at the time of the related transactions. Monetary assets and liabilities are translated using the exchange rates applying on the accounting reference date and any exchange differences are recorded in the profit and loss account. The non-monetary assets and liabilities recorded at historical cost in the foreign currencies concerned are translated using the historical rates applying at the time of the related transactions at a rate of 1.58513 (GBP to US\$)

Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement 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

Cash flow statement

The directors have taken advantage of the exemption in FRS 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements

Political and charitable donations

The company made no political or charitable contributions during the year (2011 \$nil)

2. Turnover

The whole of the turnover is attributable to continuing activities

A geographical analysis of turnover is as follows

	2012	2011
	\$	\$
United Kingdom	10,816,381	10,678,337
Rest of world	8,135,938	1,334,694
	<hr/>	<hr/>
	18,952,319	12,013,031
	<hr/>	<hr/>

Notes (continued)

3. Operating loss

	2012 \$	2011 \$
The operating loss is stated after charging/(crediting)		
Auditor's remuneration (audit services)	16,897	16,897
Auditor's remuneration (other services)	11,597	11,597
Operating lease rentals		
- plant and machinery	7,667	7,241
- other operating leases	75,369	80,948
Depreciation	187,838	223,466
Profit on disposal of tangible fixed assets	(1,150,762)	(146,154)
Loss/(gain) on foreign exchange	264,480	(15,546)
	<u> </u>	<u> </u>

The profit on disposal of tangible fixed assets has resulted from the sale of aircraft rotatable assets no longer required for the continuing operations of the company. The 2011 profit and loss account has been restated to ensure the consistent treatment of the profit on such sales as exceptional items as detailed in FRS 3.

4. Staff costs

Staff costs were as follows

	2012 \$	2011 \$
Wages and salaries	1,239,285	863,878
Social security costs	97,704	92,797
Other pension costs	41,843	49,414
	<u> </u>	<u> </u>
	1,378,832	1,006,089
	<u> </u>	<u> </u>

The average monthly number of employees, including directors, during the year was as follows

	2012 No	2011 No
Distribution staff	15	10
Administrative staff	9	8
	<u> </u>	<u> </u>
	24	18
	<u> </u>	<u> </u>

During the year, no director received any emoluments (2011: \$nil). No director was member of a pension scheme to which the company contributes in either the current or prior year. No director received shares or share options for qualifying services in either the current or prior year.

Notes (continued)

5. Interest payable and similar charges

	2012 \$	2011 \$
Interest payable to related parties	<u>(34,452)</u>	<u>(27,834)</u>

6. Interest receivable

	2012 \$	2011 \$
Bank interest	<u>824</u>	<u>454</u>

7. Finance income/(expense)

	2012 \$	2011 \$
Foreign exchange gain/(loss) on redeemable ordinary shares	<u>41,248</u>	<u>(124,474)</u>

This relates to the retranslation of the redeemable shares (see Note 14) which are denominated in sterling and have to be retranslated annually at the year-end rate. These redeemable shares are classified in the balance sheet as a liability as they can be redeemed at the option of the shareholder. As the classification is as debt, the exchange difference arising from retranslation is recorded as finance income or finance expense.

8. Taxation

	2012 \$	2011 \$
<i>Analysis of tax credit in the year</i>		
UK corporation tax credit on loss for the year	(78,163)	(142,673)
Adjustments in respect of prior periods	55,218	(7,699)
	<u>(22,945)</u>	<u>(150,372)</u>
Tax on loss on ordinary activities		

Notes (continued)

8. Taxation (continued)

Factors affecting the tax charge for the current year

The current tax credit for the year is lower (2011 lower) than the standard rate of corporation tax in the UK (24.5%, 2011 26.5%). The differences are explained below

	2012 \$	2011 \$
Loss on ordinary activities before tax	<u>(812,585)</u>	<u>(2,117,532)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011 26.5%)	(199,083)	(561,146)
<i>Effects of</i>		
Expenses not deductible for tax purposes	2,144	46,237
Capital allowances in advance of depreciation for year	(239,859)	20,565
Unrelieved tax losses carried forward	389,699	451,535
Adjustments to tax charge in respect of prior periods	55,218	(7,699)
Other timing differences	<u>(31,064)</u>	<u>(99,864)</u>
Current tax credit for the year (see above)	<u>(22,945)</u>	<u>(150,372)</u>

Factors that may affect future tax

The 2012 Budget on 23 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. The Autumn statement on 5 December 2012 announced a further reduction of this rate to 21% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 6 July 2012 respectively.

This will reduce the company's future current tax charge accordingly. The unrecognised deferred tax asset at 31 December 2012 (see note 13) has been calculated based on the rate of 23% substantively enacted at the balance sheet date. It has not yet been possible to quantify the full anticipated effect of the announced further rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

Notes (continued)

9. Tangible fixed assets

	Leasehold property \$	Furniture, fittings and equipment \$	Aircraft rotables \$	Total \$
Cost				
At 1 January 2012	192,485	426,052	17 471,122	18,089,659
Additions	-	16 095	-	16,095
Disposals	-	-	(1,605,641)	(1,605,641)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012	192,485	442,147	15 865 481	16,500,113
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 January 2012	173,808	410,385	15 469 729	16,053,922
Charge for year	3,646	12,488	171 704	187,838
On disposals	-	-	(1,435,649)	(1,435,649)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012	177,454	422,873	14,205,784	14,806,111
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2012	15,031	19,274	1,659,697	1,694,002
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2011	18,677	15,667	2,001,393	2,035,737
	<hr/>	<hr/>	<hr/>	<hr/>

10. Debtors

	2012 \$	2011 \$
Trade debtors	449,716	128,242
Amounts owed by group undertakings	3,060,173	2,365,250
Other debtors	402,071	342,135
Prepayments and accrued income	2,224,778	1,665,029
	<hr/>	<hr/>
	6,136,738	4,500,656
	<hr/>	<hr/>

Notes (continued)

11. Creditors: Amounts falling due within one year

	2012 \$	2011 \$
Trade creditors	2,862,921	1,381,531
Amounts owed to group undertakings	10,375,640	9,559,980
Other creditors	3,014,473	2,431,871
Share capital treated as debt – redeemable ordinary shares (Note 14)	3,400,104	3,441,352
	<u>19,653,138</u>	<u>16,814,734</u>

Disclosure of the terms and conditions attached to the non-equity shares are made in note 14

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

	2012 \$	2011 \$
Amounts owed to group undertakings	4,000,000	4,000,000

The amounts owed to group undertakings relate to a loan which is not repayable until 15 March 2016. From 1 January 2011 the loan terms were adjusted such that interest accrued on the outstanding balance. The interest charge is accrued at the rate of three month LIBOR + 0.38% per annum.

Creditors falling due after more than one year include amounts which are wholly repayable within 5 years as follows

	2012 \$	2011 \$
Repayable other than by instalments	4,000,000	4,000,000

13. Deferred taxation

The company has a net unrecognised deferred tax asset of \$2,622,173 (2011: \$2,680,120) comprising of \$2,213,046 (2011: \$2,071,687) for tax losses, a deferred tax asset for capital allowances in advance of depreciation amounting to \$265,884 (2011: \$576,851) and a deferred tax asset for other timing differences amounting to \$143,244 (2011: \$31,582).

These deferred tax assets have not been recognised because the directors cannot be certain they will be recoverable in the foreseeable future.

Notes (continued)

14. Share capital

	2012 \$	2011 \$
<i>Shares classified as capital</i>		
<i>Authorised</i>		
200,000- Ordinary shares of £1 each	377,594	377 594
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		
160,000- Ordinary shares of £1 each	302,075	302,075
	<u> </u>	<u> </u>
<i>Shares classified as debt</i>		
<i>Authorised</i>		
14,800,000- Redeemable ordinary shares of £1 each	27,941,938	27,941,938
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		
2,145,000- Redeemable ordinary shares of £1 each	3,400,104	3,441,352
	<u> </u>	<u> </u>

The redeemable ordinary shares rank pari passu with the ordinary shares of the company. The redeemable ordinary shares can be redeemed at the option of the shareholder at nominal value or a premium fixed by the directors that shall not exceed 10% of their nominal value. The original redemption date was 21 August 2005 but on 18 August 2005 the shareholders agreed to extend the redemption date to 21 August 2010. On 1 September 2010 the shareholders approved a further extension to the redemption date until 21 August 2020.

15. Reserves

	Profit and loss account \$
At 1 January 2012	(13,892,563)
Loss for the year	(789,640)
	<u> </u>
At 31 December 2012	(14,682,203)
	<u> </u>

16. Reconciliation of movements in shareholders' deficit

	2012 \$	2011 \$
Opening shareholders' deficit	(13,590,488)	(11,623,328)
Loss for the year	(789,640)	(1,967,160)
	<u> </u>	<u> </u>
Closing shareholders' deficit	(14,380,128)	(13,590,488)
	<u> </u>	<u> </u>

Notes (continued)

17. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. No amounts are unpaid at the end of both the current or prior year.

18. Operating lease commitments

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

	Land and buildings		Other	
	2012	2011	2012	2011
	\$	\$	\$	\$
Operating leases which expire -				
Within one year	-	46,983	-	-
Between 2 and 5 years	58,238	-	5,449	1,123
	<u>58,238</u>	<u>46,983</u>	<u>5,449</u>	<u>1,123</u>

19. Related party transactions

The company is a wholly owned subsidiary of a group whose consolidated accounts are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the group.

20. Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary undertaking of Airline Rotables (UK Holdings) Limited which in turn is a wholly owned subsidiary undertaking of STA Solutions (Europe) A/S, which is a company incorporated in Denmark. This company is controlled by Singapore Technologies Aerospace Ltd, a company incorporated in the Republic of Singapore, which is the majority shareholder. The company is ultimately controlled by Temasek Holdings (Private) Limited, a company incorporated in the Republic of Singapore.

The largest group in which the results of the company are consolidated is that headed by Temasek Holdings (Private) Limited. The consolidated financial statement of Temasek Holdings (Private) Limited are not publicly available.

The smallest group in which they are consolidated is that headed by Singapore Technologies Aerospace Ltd, which is a company incorporated in the Republic of Singapore. The consolidated financial statements of Singapore Technologies Aerospace Ltd may be obtained from 540 Airport Road, Paya Lebar, Singapore 539938.