

TAG FARNBOROUGH AIRPORT LIMITED
(formerly known as Refal 519 Limited)

Report and Financial Statements

For the period from 23 October 1997 to 31 December 1998



Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR



REPORT AND FINANCIAL STATEMENTS 1998

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REPORT AND FINANCIAL STATEMENTS 1998

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

MA Ojje	(Saudi Arabian)	(Chairman)
A Ojje	(Saudi Arabian)	
R McMullin	(American)	
D P Trezise	(American)	
S Gillibrand CBE	(British)	(appointed 2 March 1999)
Sir D M Spiers KT CB TD	(British)	(appointed 2 March 1999)

SECRETARY

D P Trezise (appointed 17 December 1997)

REGISTERED OFFICE

Aerospace Centre
Farnborough
Hampshire GU14 6XA

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

DIRECTORS' REPORT

The directors submit their annual report and the audited financial statements for the period commenced 23 October 1997 and ended 31 December 1998.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the period was that of being involved in the commercial operating functions of Farnborough airport. It had yet to commence its intended trade by the end of the period. The directors are optimistic that the company's prospects will lead to future profitable trading.

DATE OF INCORPORATION AND CHANGE OF NAME

The company was incorporated on 23 October 1997 under the name of Refal 519 Limited. On 20 November 1997 it was resolved to change the name of the company to TAG Farnborough Airport Limited.

RESULTS AND DIVIDEND

The loss for the period after taxation amounted to £1,595,950. The directors do not propose the payment of a dividend.

DIRECTORS

The membership of the Board is as set out on page 1. The directors' interests in the ordinary shares of the company at 31 December 1998 and 23 October 1997 or date of appointment were:

		No. of shares 31 December 1998	No. of shares 23 October 1997
MA OjjeH	(appointed 9 February 1998)	-	-
A OjjeH	(appointed 9 February 1998)	-	-
R McMullin	(appointed 1 December 1998)	-	-
D P Trezise	(appointed 17 December 1997)	-	-
W A H Youssef	(appointed 17 December 1997, resigned 5 January 1999)	-	-
G R Sandars	(appointed 23 October 1997, resigned 17 December 1997)	-	1

The directors' interests in the parent company, TAG Farnborough (Holdings) Limited, are shown in the accounts of that company. The directors had no interests in any other group company incorporated in Great Britain.

YEAR 2000

The company is giving high priority to the impact of the Millennium and is taking positive steps to ensure that systems are Year 2000 compliant. The company has incurred immaterial costs in the current financial period in relation to Year 2000 compliance and the directors are satisfied that the total future amount will not be material to the profitability or liquidity of the company.

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board


D P Trezise

Secretary

27 May 1999

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 as at the end of the financial year 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;
- 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 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.



TAG FARNBOROUGH AIRPORT LIMITED **(formerly known as Refal 519 Limited)**

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 11 which have been prepared under the accounting policies set out on page 7.

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.

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 1998 and of its loss for the period from 23 October 1997 (date of incorporation) to 31 December 1998 and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

28 May 1999

**Deloitte Touche
Tohmatsu**

Aberdeen, Belfast, Birmingham, Bracknell, Bristol, Cambridge, Cardiff, Crawley,
Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London, Manchester, Milton Keynes,
Newcastle upon Tyne, Nottingham, St Albans and Southampton.

Principal place of business at which a list of partners' names is available:
Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on
investment business.

PROFIT AND LOSS ACCOUNT
For the period from 23 October 1997 to 31 December 1998

	Note	Period from 23 October 1997 to 31 December 1998 £
Administrative expenses		(1,596,449)
OPERATING LOSS		(1,596,449)
Other interest receivable and similar income	3	499
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(1,595,950)
Tax on loss on ordinary activities	5	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(1,595,950)
Retained loss for the financial period		(1,595,950)
Profit and loss account brought forward		-
Profit and loss account carried forward		(1,595,950)

The company has no recognised gains or losses other than the loss as shown above. The results for the period are all from continuing operating activities.



TAG FARNBOROUGH AIRPORT LIMITED
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BALANCE SHEET
31 December 1998

	Note	1998 £	1998 £
FIXED ASSETS			
Tangible assets	6		692,897
CURRENT ASSETS			
Debtors	7	1,162,800	
Cash at bank and in hand		200,700	
		<u>1,363,500</u>	
CREDITORS: amounts falling due			
Within one year	8	<u>(152,347)</u>	
NET CURRENT ASSETS			<u>1,211,153</u>
TOTAL ASSETS LESS CURRENT			
LIABILITIES			<u>1,904,050</u>
CAPITAL AND RESERVES			
Called up share capital	9		3,500,000
Profit and loss account			<u>(1,595,950)</u>
EQUITY SHAREHOLDERS' FUNDS	10		<u>1,904,050</u>

These financial statements were approved by the Board of Directors on 24 May 1999.

Signed on behalf of the Board of Directors


D P Trezise

Director

NOTES TO THE ACCOUNTS

For the period from 23 October 1997 to 31 December 1998

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The company is reliant on the continued financial support of the parent undertaking which has agreed to meet the company's obligations for a period of at least twelve months from the date of approval of the financial statements. The directors consider that the company is a going concern and the financial statements have been prepared therefore on this basis.

Depreciation

Depreciation is provided over the estimated useful lives of the assets at the following rates:

Buildings	20% reducing balance
Fixtures, fittings, tools and equipment	20% reducing balance

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability will crystallise in the future.

Fixed asset investments

The investments are unlisted and are stated at cost less any provision for permanent diminution in value.

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling at the end of the month the transactions took place. Foreign currency assets and liabilities are translated into sterling at the year end rates. All foreign currency differences are dealt with through the profit and loss account.

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

None of the directors received any remuneration from the company in the period. Details of the directors' remuneration in the immediate parent company are disclosed in that company's financial statements.

**NOTES TO THE ACCOUNTS****For the period from 23 October 1997 to 31 December 1998****3. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

	Period from 23 October 1997 to 31 December 1998 £
Bank interest receivable	499

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	Period from 23 October 1997 to 31 December 1998 £
Loss on ordinary activities before taxation is after charging:	
Depreciation	82,173
Auditors' remuneration:	
- audit	-
- other services	35,450

In the opinion of the directors the company operates one class of business, as disclosed in the directors' report, which is all based in the UK.

The audit fee for the company was paid by TAG Aviation Group (UK) Limited.

5. TAX ON LOSS ON ORDINARY ACTIVITIES

The company has no liability to UK corporation tax for the period. Unprovided deferred tax amounts are shown in note 11 to the accounts.



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NOTES TO THE ACCOUNTS

For the period from 23 October 1997 to 31 December 1998

6. TANGIBLE FIXED ASSETS

	Buildings £	Fixtures, fittings, tools and equipment £	Total £
Cost			
At 23 October 1997	-	-	-
Additions	728,400	46,670	775,070
At 31 December 1998	728,400	46,670	775,070
Accumulated depreciation			
At 23 October 1997	-	-	-
Charge for the year	72,839	9,334	82,173
At 31 December 1998	72,839	9,334	82,173
Net book value			
At 31 December 1998	655,561	37,336	692,897
At 23 October 1997	-	-	-

7. DEBTORS

	1998 £
Called up share capital not paid	795,134
Other debtors	367,666
	1,162,800

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £
Other creditors	33,816
Accruals and deferred income	118,531
	152,347



NOTES TO THE ACCOUNTS
For the period from 23 October 1997 to 31 December 1998

9. CALLED UP SHARE CAPITAL

	Number of shares	1998 £
Authorised:		
Ordinary shares of £1 each	10,000,000	10,000,000
	<u>10,000,000</u>	<u>10,000,000</u>
Called up and allotted:		
Ordinary shares of £1 each at 23 October 1997	1	1
Ordinary shares of £1 each issued during the period at par	3,499,999	3,499,999
	<u>3,499,999</u>	<u>3,499,999</u>
Ordinary shares of £1 each at 31 December 1998	3,500,000	3,500,000
	<u>3,500,000</u>	<u>3,500,000</u>

The authorised share capital was 100 ordinary shares of £1 each as at 23 October 1997. This was increased by 9,999,900 ordinary shares of £1 each on 29 December 1998.

One ordinary share of £1 was issued on 23 October 1997. 3,499,999 ordinary shares of £1 each were issued on 29 December 1998.

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £
Loss for the financial period	(1,595,950)
Share capital issued	3,500,000
	<u>1,904,050</u>
Increase in shareholders' funds	1,904,050
Opening shareholders' funds	-
	<u>-</u>
Closing shareholders' funds	1,904,050
	<u>1,904,050</u>



NOTES TO THE ACCOUNTS

For the period from 23 October 1997 to 31 December 1998

11. DEFERRED TAXATION

The amounts of deferred taxation assets provided and unprovided in the accounts are as follows:

	Provided 1998 £	Not Provided 1998 £
Capital allowances in excess of depreciation	-	2,800
Other	-	140,852
	<u>-</u>	<u>143,652</u>

12. ULTIMATE PARENT COMPANY

In the opinion of the directors, the company's ultimate parent company and controlling party is TAG Group SA, a company incorporated in Luxembourg. This is also the parent undertaking of the largest group which includes the company and for which group accounts are prepared. The parent undertaking and controlling party of the smallest such group is TAG Aviation Group (UK) Limited, a company registered in England and Wales. The immediate parent company and controlling party is TAG Farnborough (Holdings) Limited, a company registered in England and Wales. Copies of the group financial statements of TAG Group SA are available from TAG Group SA, 1 rue du St Esprit, L-1475 Luxembourg. Copies of the group financial statements of TAG Aviation Group (UK) Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

13. RELATED PARTY TRANSACTIONS

Pursuant to the exemption granted by Financial Reporting Standard 8, 'Related Party Disclosures', transactions with other undertakings within, and related parties of, the TAG Aviation Group (UK) Limited group have not been disclosed within these financial statements.