

Company Registration Number 3459428

## **HAWKER PACIFIC AEROSPACE LIMITED**

**Report and Financial Statements**

**For the year ended 31 December 2009**

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# **HAWKER PACIFIC AEROSPACE LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2009**

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# **HAWKER PACIFIC AEROSPACE LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2009**

### **OFFICERS AND PROFESSIONAL ADVISORS**

#### **DIRECTORS**

Gavin Hill  
Michael Kirstein  
Klaus Koester  
Dennis Jacobs

#### **company SECRETARY**

Gavin Hill

#### **REGISTERED OFFICE**

Unit 3  
Dawley Park  
Kestrel Way  
Hayes  
Middlesex  
UB3 1HP

#### **BANKERS**

Citibank NA  
336 Strand  
London  
WC2R 1HB

#### **SOLICITORS**

Paris, Smith & Randall  
Number 1  
London Road  
Southampton  
SO15 2AE

#### **INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
The Atrium, 1 Harefield Road, Uxbridge UB8 1EX

# **HAWKER PACIFIC AEROSPACE LIMITED**

## **DIRECTORS' REPORT**

The Directors present their annual report and the audited financial statements of the company for the year ended 31 December 2009

### **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

The company's principal activity during the year was the repair and overhaul of landing gear, flap track and flap carriage components of aircraft. The company has no overseas branches.

The profit for the year after taxation, amounted to £2,344,000 (2008 £10,093,000) which will be transferred to reserves.

### **BUSINESS ENVIRONMENT**

The company achieved a significant increase in the volume of landing gear work during 2009 both for existing aircraft types and from the introduction of new aircraft types resulting in a 12% increase in turnover.

The increased volume, combined with new business on improved commercial terms and efficiency improvements resulted in the substantial increase in profitability.

The company made no charitable or political donations in 2009 (2008 nil).

### **STRATEGY**

The company intends to maintain its successful strategy of increasing volume through winning new contracts, introducing new aircraft types and increasing market share. In order to support the planned growth it will continue to invest in new plant and equipment and additional exchange assets and recruit additional employees, thereby maximising utilisation of its state of the art facility.

### **FUTURE OUTLOOK**

The company expects the demand for landing gear overhauls to remain strong over the coming years and therefore that revenue will continue to grow as it benefits from increasing volume, new long term contracts and improved commercial terms. Consequently profits are expected to continue to increase.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The management of the business and execution of the company's strategy are subject to a number of risks or uncertainties.

Most aviation related businesses have the potential to be affected by acts of terrorism or war which could deter passengers from air travel and thereby significantly affect airline operations and profitability. A crisis in the airline sector could reduce the number of aircraft in operation and therefore the future demand for landing gear overhauls.

There are a limited number of landing gear shops worldwide due to the very specialised nature of the business and therefore competition is not particularly high. However, recent years have seen the establishment of a number of new landing gear shops and existing shops increasing capacity as demand for landing gear work has grown. Although currently it is estimated that demand still exceeds capacity, there could be the risk of future over-capacity if volumes were to fall with a consequent adverse potential impact on prices and company profitability.

The company aims to minimise the above risks by maintaining the flexibility to adjust capacity to meet future demand. It has employed a significant number of temporary employees, has the ability to reduce overtime working at short notice and to vary shift patterns allowing it to adjust capacity relatively quickly in response to changing demand. In addition the company is one of four facilities within the Lufthansa Technik Landing Gear Product Division which plans its strategy and capacity on a global basis and has the scope to transfer workload and assets between facilities in order to balance capacity and demand.

### **KEY PERFORMANCE INDICATORS**

The company's key performance indicator is its revenue, which is analysed in detail by product and customer and forecast using detailed planning models.

### **DIVIDENDS**

The directors do not recommend the payment of a dividend (2008 nil).

### **DIRECTORS**

The directors who held office during the year and up to the date of signing these financial statements are given below:

Gavin Hill  
Michael Kirstein  
Klaus Koester  
Dennis Jacobs

None of the directors during the year had an interest in the share capital of the company.

## **HAWKER PACIFIC AEROSPACE LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **FINANCIAL RISK MANAGEMENT**

The company's operations expose it to financial risks that include foreign exchange risk and credit risk. Financial risk management policies are set by the parent company, Deutsche Lufthansa AG. The Finance Director and Financial Controller are responsible for monitoring the policies.

##### *Foreign exchange risk*

The company is exposed to foreign exchange risks in the normal course of business, principally on sales and purchases in US Dollars. The company's policy on mitigating the effect of this currency exposure is to minimise the amount outstanding at any time. Furthermore, the company aims to minimise the financial risks associated with the fluctuation of the foreign exchange rates by hedging the future expected cash flows denominated in foreign currencies using the derivative instruments (forwards). These are arranged by the Lufthansa Treasury Center on behalf of the company. The fair value of open forwards as at 31 December 2009 is EUR 412,000 (2008: EUR 345,000).

##### *Credit risk*

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. To minimize the Company's exposure to credit risk associated with financial instruments, the company places its temporary cash investments with high-credit-quality institutions.

##### *Interest rate risk*

The company's activities do not expose it to significant interest rate risk.

#### **DISABLED EMPLOYEE NOTE**

The company is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status and offers appropriate training and career development for disabled staff. If members of staff become disabled the company continues employment wherever possible and arranges for retraining.

#### **EMPLOYEE INVOLVEMENT**

The company is also committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interests. In addition, the company encourages the involvement of employees by means of regular employee briefings and meetings and continues to expand the company intranet in order to provide employees with wide ranging information.

#### **DIRECTORS' INDEMNITIES**

The company maintains liability insurance for its directors and officers. The company has also provided an indemnity for its directors and the company secretary which is a qualifying third party indemnity provision and was in force during the financial year and also at the date of approval of the financial statements for the purposes of the Companies Act 2006.

## HAWKER PACIFIC AEROSPACE LIMITED

### DIRECTORS' REPORT (continued)

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 the directors have prepared 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, 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

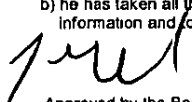
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

#### Directors' statement on disclosure of information to auditors

Each of the directors in office at the date the directors' report is approved confirm that

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

  
Approved by the Board  
and signed on behalf of the Board

Gavin Hill  
company Secretary

29th September 2010

## HAWKER PACIFIC AEROSPACE LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAWKER PACIFIC AEROSPACE LIMITED

We have audited the financial statements of Hawker Pacific Aerospace Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. 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).

#### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4 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 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### 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 2009 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.



Harminder Atwal - Senior Statutory Auditor  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Uxbridge, Middlesex

29/9/10

# **HAWKER PACIFIC AEROSPACE LIMITED**

## **PROFIT AND LOSS ACCOUNT**

**Year ended 31 December 2009**

	Note	2009 £000	2008 £000
<b>TURNOVER</b>	<b>2</b>	<b>41,415</b>	<b>37,570</b>
Cost of sales		(32,373)	(31,282)
Gross profit		<u>9,042</u>	<u>6,288</u>
Selling and distribution costs		(804)	(1,009)
Administrative expenses		(4,490)	(2,552)
<b>OPERATING PROFIT</b>	<b>3</b>	<b><u>3,748</u></b>	<b><u>2,727</u></b>
Other finance income	5	-	98
Interest payable and similar charges	6	(628)	(732)
		<u>(628)</u>	<u>(634)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>3,120</b>	<b>2,093</b>
Tax on profit on ordinary activities	7	(776)	8,000
<b>Profit for the financial year</b>	<b>15</b>	<b><u>2,344</u></b>	<b><u>10,093</u></b>

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

All results are derived from continuing operations

## **STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**Year ended 31 December 2009**

	Note	2009 £000	2008 £000
<b>Profit for the financial year</b>	<b>15</b>	<b><u>2,344</u></b>	<b><u>10,093</u></b>
Actuarial loss relating to the pension scheme	19	(1,669)	(920)
Current year movement on deferred tax relating to pension scheme (excluding the rate change)		422	184
Recognition of deferred tax relating to pension scheme not previously recognised		-	(449)
Movement on current tax relating to pension scheme		45	78
<b>Total recognised gains &amp; losses relating to the year</b>		<b><u>1,142</u></b>	<b><u>8,986</u></b>



# HAWKER PACIFIC AEROSPACE LIMITED

## BALANCE SHEET 31 DECEMBER 2009

	Note	2009 £000	2008 £000
<b>FIXED ASSETS</b>			
Tangible assets - exchange assets	8	813	1,336
Tangible assets - other	9	6,237	6,053
		<u>7,050</u>	<u>7,389</u>
<b>CURRENT ASSETS</b>			
Stocks	10	8,567	9,079
Debtors (including £5 602 000 (2008: 6 363,000) due after one year)	11	15,335	16 684
Cash at bank and in hand		295	871
		<u>24,197</u>	<u>26 634</u>
<b>CREDITORS: Amounts falling due within one year</b>	12	<u>(16,854)</u>	<u>(21,896)</u>
<b>NET CURRENT ASSETS</b>		<u>7,343</u>	<u>4 738</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>14,393</u>	<u>12,127</u>
<b>PROVISIONS FOR LIABILITIES</b>	13	<u>(109)</u>	<u>(71)</u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		<u>14,284</u>	<u>12,056</u>
Pension Liability	19	<u>(1,881)</u>	<u>(795)</u>
<b>NET ASSETS / INCLUDING PENSION LIABILITY</b>		<u>12,403</u>	<u>11,261</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	18,270	18,270
Profit and loss account	15	(23,471)	(24 613)
Capital contribution	15	17,604	17 604
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	16	<u>12,403</u>	<u>11,261</u>

These financial statements of Hawker Pacific Aerospace Limited (registration number 3459428) on pages 8 to 19 were approved by the Board of Directors on 29th September 2010

Signed on behalf of the Board of Directors



Gavin Hill  
Director

# HAWKER PACIFIC AEROSPACE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

### 1 ACCOUNTING POLICIES

#### Basis of Accounting

These financial statements are prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

#### Turnover

Turnover represents amounts received and receivable for goods and services invoiced in the UK and overseas net of value added tax and other related taxes. All turnover is recognised in accordance with applicable terms of trade, in general at the date of completion of overhauls. All turnover is recognised after the netting off of discounts and rebates.

#### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided on cost in equal annual instalments over the estimated useful economic lives of the assets. The estimated useful economic lives are as follows:

Computer equipment	3 years
Motor Vehicles	7 years
Exchange assets	10 to 15 years
Plant and Machinery	5 to 8 years
Fixtures and fittings	5 years
Leasehold improvements	Outstanding life of lease

No depreciation is charged on construction in progress.

#### Exchange assets

The company owns a number of assets which are used to perform exchanges with its customers.

These exchange assets are stated at cost less accumulated depreciation.

Depreciation is provided on cost, less the estimated residual value, in equal annual instalments over the estimated useful economic lives of the assets.

#### Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Weighted average method is used as the basis for valuation of stocks. Stock includes provisions for slow moving and obsolete stock.

#### Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### Foreign Currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

#### Cash flow statement

The company has utilised the exemptions provided under Financial Reporting Standard 1 (revised 1996) as a wholly owned subsidiary undertaking and has not presented a cash flow statement. The basis for taking the exemption is also because the parent company prepares publicly available accounts.

# HAWKER PACIFIC AEROSPACE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2009

### 1 ACCOUNTING POLICIES (continued)

#### Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful economic lives. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to income on a straight-line basis over the lease term.

#### Provisions

Provisions, in particular for warranty costs, are recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably measured.

#### Related party transactions

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Deutsche Lufthansa AG, whose accounts are publicly available.

#### Pension costs

The company participates in a group operated defined benefit pension schemes for the benefit of the majority of its employees, the assets of which are held separately from those of the company in independently administered funds.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the group's defined benefit scheme expected to arise from the employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the year on the present value of the scheme's liabilities arising from the passage in time are included in other income. Actuarial gains and losses are recognised in the statement of recognised gains and losses.

Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax.

### 2 TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

Turnover is wholly attributable to the company's principal activity conducted in the United Kingdom.

### 3 OPERATING PROFIT

This is stated after charging/(crediting)

	2009 £000	2008 £000
Auditors' remuneration - audit fee	55	55
Auditors' remuneration - tax services	10	10
Depreciation of owned fixed assets	1,007	983
Depreciation of assets held under finance leases	0	11
Fixed assets impairment charge	313	-
Loss/(profit) on disposal of fixed assets	91	(189)
Operating lease rentals - plant and machinery	36	16
Operating lease rentals - other	4,931	5,112
Foreign exchange loss/(gain)	2,575	(668)

# **HAWKER PACIFIC AEROSPACE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)** **Year ended 31 December 2009**

### **4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	2009 £000	2008 £000
Directors' remuneration		
Salary and other emoluments	<u>117</u>	<u>108</u>
	No	No
Number of directors who are members of defined benefit pension scheme	<u>1</u>	<u>1</u>
	No	No
Average monthly number of persons employed		
Production	252	249
Administration (including directors)	<u>64</u>	<u>65</u>
	<u>316</u>	<u>314</u>
	2009 £000	2008 £000
Staff costs during the year (including directors)		
Wages and salaries	9,141	8,907
Social security costs	757	750
Other pension costs (note 19)	<u>436</u>	<u>645</u>
	<u>10,334</u>	<u>10,302</u>

### **5 OTHER FINANCE INCOME**

	2009 £000	2008 £000
Return on pension assets (note 19)	<u>-</u>	<u>98</u>
	<u>-</u>	<u>98</u>

### **6 INTEREST PAYABLE AND SIMILAR CHARGES**

	2009 £000	2008 £000
Interest payable to group undertakings	401	653
Revolving credit facility	7	78
Interest on bank account	1	1
Return on pension assets	<u>219</u>	<u>-</u>
	<u>628</u>	<u>732</u>

# HAWKER PACIFIC AEROSPACE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2009

### 7 TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2009 £000	2008 £000
<b>Current taxation</b>		
UK corporation tax charge for the year	45	78
<b>Total current tax</b>	<b>45</b>	<b>78</b>
<b>Deferred tax asset recognised</b>	<b>777</b>	<b>(8,078)</b>
Adjustments in respect of prior years	(46)	-
<b>Total deferred tax charge/(credit)</b>	<b>731</b>	<b>(8,078)</b>
<b>Total tax charge/(credit)</b>	<b>776</b>	<b>(8,000)</b>

#### Factors affecting the tax charge

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 28% to the profit for the year

	2009 £000	2008 £000
<b>Profit before tax for the financial year</b>	<b>3,120</b>	<b>2,093</b>
<b>Tax at 28% thereon (28.5% in 2008)</b>	<b>874</b>	<b>597</b>
Expenses not deductible for tax purposes	16	18
Accelerated capital allowance and other timing differences	292	298
Utilisation of tax losses	(1,137)	(835)
<b>Current tax charge for the year</b>	<b>45</b>	<b>78</b>

The company has a recognised deferred tax asset excluding pension at the year ended as follows

	2009 £000	2008 £000
<b>Unclaimed capital allowances</b>	<b>403</b>	<b>99</b>
<b>Short term timing differences</b>	<b>173</b>	<b>71</b>
<b>Tax losses carried forward</b>	<b>6,197</b>	<b>7,334</b>
	<b>6,773</b>	<b>7,504</b>

The deferred tax asset is recognised within Debtors. Amounts falling due within one year in the amount of £1,171,000 (2008: £1,140,000) and within Debtors. Amounts falling due after more than one year £5,602,000 (2008: £6,364,000). Deferred tax asset relating to the pension in the amount of £731,000 (2008: £309,000) has been netted off the pension liability.

# HAWKER PACIFIC AEROSPACE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2009

### 7 TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (continued)

Deferred tax movement analyses during the year	2009 £000	2008 £000
Opening balance at 1 January	7,504	-
Current year (charge)/credit to the profit and loss account on recognition of deferred tax asset (excluding pension) not previously recognised	(777)	8,030
Other current year charged to the profit and loss account (excluding pension)	46	(526)
Closing balance – deferred tax asset excluding pension	<u>6,773</u>	<u>7,504</u>
Opening deferred tax asset balance relating to pension	309	-
Deferred tax credit in the profit and loss account for current year – pension (effect of the rate change)	-	(6)
Deferred tax credit in profit and loss account relating to the pension which was previously unrecognised	-	580
Recognition of deferred tax credit/(charge) relating to pension in the Statement of Total Recognised Gains and Losses	422	(265)
Closing balance at 31 December	<u>7,504</u>	<u>7,813</u>

It was announced in the June 2010 budget that the main rate of UK corporation will be reduced from 28% to 27% with effect from 1 April 2011 and reduce annually by 1% to 24% by 1 April 2014. This measure was subsequently fully enacted. However, it was not substantially enacted at the balance sheet date and so the effect has not been included in the financial statements.

### 8 EXCHANGE ASSETS

	Landing gear £000	Flap track & flap carriage £000	Total £000
<b>Cost</b>			
At 1 January 2009	597	1,707	2,304
Additions	-	-	-
Disposals	(119)	(71)	(190)
At 31 December 2009	<u>478</u>	<u>1,636</u>	<u>2,114</u>
<b>Accumulated Depreciation</b>			
At 1 January 2009	334	634	968
Charge for the year	35	84	119
Disposals	(67)	(32)	(99)
Impairment	-	313	313
At 31 December 2009	<u>302</u>	<u>999</u>	<u>1,301</u>
<b>Net book value</b>			
At 31 December 2009	<u>176</u>	<u>637</u>	<u>813</u>
At 31 December 2008	<u>263</u>	<u>1,073</u>	<u>1,336</u>

During the year the company sold landing gear, as part of a sale and leaseback agreement, with a net book value of £nil (2008: £2,888,000) to a fellow subsidiary entity, Lufthansa Technik Air Motive Ireland Leasing Limited at a profit of £nil (2008: £169,000).

# **HAWKER PACIFIC AEROSPACE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)** **Year ended 31 December 2009**

### **9 TANGIBLE ASSETS - OTHER**

	Leasehold improvements £000	Fixtures and fittings £000	Computer Equipment £000	Plant and machinery £000	Motor Vehicles £000	Total £000
<b>Cost</b>						
At 1 January 2009	5,865	180	1,226	5,743	34	13,048
Additions	240	22	94	835	-	1,191
At 31 December 2009	<u>6,105</u>	<u>202</u>	<u>1,320</u>	<u>6,578</u>	<u>34</u>	<u>14,239</u>
<b>Accumulated depreciation</b>						
At 1 January 2009	2,070	115	916	3,875	19	6,995
Charge for the year	291	25	169	517	5	1,007
At 31 December 2009	<u>2,361</u>	<u>140</u>	<u>1,085</u>	<u>4,392</u>	<u>24</u>	<u>8,002</u>
<b>Net book value</b>						
At 31 December 2009	<u>3,744</u>	<u>62</u>	<u>235</u>	<u>2,186</u>	<u>10</u>	<u>6,237</u>
At 31 December 2008	<u>3,795</u>	<u>65</u>	<u>310</u>	<u>1,868</u>	<u>15</u>	<u>6,053</u>

### **10 STOCKS**

	2009 £000	2008 £000
Work-in-progress	1,679	1,721
Finished goods and goods for resale	<u>6,888</u>	<u>7,358</u>
	<u><u>8,567</u></u>	<u><u>9,079</u></u>

# HAWKER PACIFIC AEROSPACE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2009

### 11 DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009	2008
	£000	£000
Trade debtors	4,378	7,510
Other debtors	236	981
Amounts due from parent undertakings	3,238	-
Deferred tax asset (see note 7)	1,171	1,140
Prepayments and accrued income	710	689
	<u>9,733</u>	<u>10,320</u>

### DEBTORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2009	2008
	£000	£000
Deferred tax asset (see note 7)	5,602	6,364
	<u>5,602</u>	<u>6,364</u>
	<u>15,335</u>	<u>16,684</u>

### 12 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009	2008
	£000	£000
Trade creditors	1,988	3,100
Amounts due to parent undertakings	-	8,338
Taxation and social security costs	298	272
Other creditors	157	117
Loans from parent undertaking	7,600	4,100
Accruals and deferred income	8,811	5,969
	<u>16,854</u>	<u>21,896</u>

Amounts due to parent undertakings consist of an overdraft facility from the parent company and trading balances

The trading balances are not secured and have no applicable interest rate or repayment date

The overdraft facility from the parent company is not secured and has no repayment date Interest is applied on a daily basis and the rates at 31 December 2009 on Sterling was 0.8%, US Dollar was 0.07% and euro was 0.31%

The loans from the parent undertaking are not secured and incur interest on a 6 month GBP LIBOR rate calculated daily One loan for £2,100,000 has a fixed repayment date of 30 June 2010 and the remaining loan of £5,500,000m had a fixed repayment date of 30 April 2010



# **HAWKER PACIFIC AEROSPACE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)** **Year ended 31 December 2009**

	2009	2008
<b>13 PROVISIONS FOR LIABILITIES AND CHARGES</b>	<b>Warranty provision £000</b>	<b>Warranty provision £000</b>
At the beginning of the year	71	76
Additions during the year	38	-
Release during the year	-	(5)
At the year-end	<u>109</u>	<u>71</u>
<b>14 CALLED UP SHARE CAPITAL</b>	<b>2009 £000</b>	<b>2008 £000</b>
Authorised		
Ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
Allotted and fully paid		
Ordinary shares of £1 each	<u>18,270</u>	<u>18,270</u>

# **HAWKER PACIFIC AEROSPACE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)** **Year ended 31 December 2009**

### **15 MOVEMENTS ON RESERVES**

	Capital Contribution £000	Profit and Loss Account £000
At 1 January 2009	17 604	(24,613)
Profit for the year	-	2 344
Movement on deferred tax relating to pension	-	422
Movement on current tax relating to pension	-	45
Actuarial loss relating to the pension scheme	-	(1,669)
At 31 December 2009	<u>17,604</u>	<u>(23,471)</u>

The capital contribution by the immediate parent company comprised forgiveness of a trading balance and a loan

### **16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS / (DEFICIT)**

	2009 £000	2008 £000
Profit for the financial year	2,344	10,093
Actuarial (losses)/gains on pension scheme	(1,669)	(920)
Movement on current and deferred tax relating to pension	467	(187)
Net addition to shareholders' funds	<u>1,142</u>	<u>8 986</u>
Opening Shareholders' funds/(deficit)	<u>11,261</u>	<u>2,275</u>
Closing shareholders' funds	<u>12,403</u>	<u>11 261</u>

### **17 FINANCIAL COMMITMENTS**

Annual commitments under non-cancellable operating leases are as follows

	2009			2008		
	Land and Buildings £000	Other £000	Total £000	Land and Buildings £000	Other £000	Total £000
Operating leases which expire						
Within two to five years	-	3,540	3,540	-	3,705	3 705
In over five years	1,391	36	1,427	1,391	16	1 407
	<u>1,391</u>	<u>3,576</u>	<u>4,967</u>	<u>1 391</u>	<u>3 721</u>	<u>5,112</u>

### **18 CAPITAL COMMITMENTS**

At 31 December 2009 capital commitments contracted but not provided for in these accounts were £157,000 (2008 £677,000)

# HAWKER PACIFIC AEROSPACE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2009

### 19 PENSION COMMITMENTS

The most recent formal actuarial valuation was carried out as at 31 December 2008. The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. The most significant assumptions used in the valuation were a price inflation rate of 3.6% pa, a pay rate of 3.1% per annum for the first five years and 3.6% thereafter, a pension rate of 3.5%.

The pension cost for the year was £655,000 (2008: £547,000).

A provision of £2,612,000 (2008: £1,104,000) is included on the balance sheet at the end of the year.

#### FRS 17

The actuarial valuation was updated to the accounting date by an independent qualified actuary in accordance with FRS 17. As required by FRS 17, the defined benefit liabilities have been measured using the projected unit method.

The following table sets out the key FRS17 assumptions used for the scheme. The table also sets out as at the accounting date the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS17 liabilities and the surplus/deficit of assets above/below the FRS17 liabilities (which equals the gross pension asset/liability).

Assumptions at 31 December		2009	2008	2007	2006	2005				
Price inflation		3.6% pa	2.8% pa	3.3% pa	2.9% pa	2.8% pa				
Discount rate		5.6% pa	6.5% pa	5.8% pa	5.2% pa	4.9% pa				
Pension increases (LPI where applicable)		3.5% pa	2.8% pa	3.2% pa	2.9% pa	2.8% pa				
Salary growth		3.6% pa	2.83% pa	3.3% pa	2.9% pa	2.8% pa				
Asset distribution and expected returns at 31 December										
	Fair value	2009	2008	Expected	2007	2006	2006	2006	2006	
Components	£000	Expected return	Fair value	return	Fair value	Exp rtn	Fair value	Exp rtn	Fair value	Exp rtn
Equities	11,293	7.2%	7,830	7.2%	10,544	8.8%	9,266	8.4%	8,148	8.3%
Bonds	1,941	5.3%	911	5.0%	912	5.1%	893	4.7%	740	4.4%
Other	1,823	5.0%	2,530	4.7%	2,075	5.1%	1,840	4.8%	1,473	4.5%
Balance sheet (£000) at 31 December										
		2009	2008		2007		2006		2005	
Total market value of assets		15,057	11,271		13,531		11,999		10,381	
Present value of liabilities		(17,669)	(12,375)		(13,988)		(13,133)		(12,791)	
Deficit in the scheme		(2,612)	(1,104)		(1,134)		(1,134)		(2,410)	

Additional voluntary contributions in the amount of £909,000 were recognised within total market value of assets and present value of liabilities as at 31 December 2009 (2008: £985,000).

# HAWKER PACIFIC AEROSPACE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2009

### 19 PENSION COMMITMENTS (CONTINUED)

Over the year to 31st December 2009, contributions by the company of £816,000 (2008 £820,000) were made to the scheme. It has been agreed with the trustees that future employer contributions will be at the rate of 12.2% of pensionable pay for members on the main benefit scale, 19.5% for former members of the New Airways Pension Scheme, and 19.5% for former members of the Airways Pension Scheme. In addition the company expects to pay £950,000 in 2010 in accordance with the recovery plan in respect of the funding deficit. The post retirement surplus/deficit under FRS17 is as follows:

	Year to 31st December 2009 £000	Year to 31st December 2008 £000
Post retirement deficit at start of year	(1,104)	(457)
Current service cost	(436)	(645)
Interest cost	(808)	(838)
Contributions from employer	816	820
Expected return on plan assets	589	936
Actuarial loss	(1,669)	(920)
Post retirement deficit at end of year	(2,612)	(1,104)

The following amounts have been included within operating profit under FRS17:

	Year to 31st December 2009 £000	Year to 31st December 2008 £000
Current service cost (employer's part only)	436	645
Past service cost	-	-
Total operating charge	436	645

The following amounts have been included as net finance (cost)/income under FRS17:

	Year to 31st December 2009 £000	Year to 31st December 2008 £000
Expected return on pension scheme assets	589	936
Interest on post retirement liabilities	(808)	(838)
Total	(219)	98

The following amounts have been recognised within the statement of recognised gains and losses ("STRGL") under FRS17:

	Year to 31st December 2009 £000	Year to 31st December 2008 £000
Actual return less expected return on scheme assets	2,214	(4,125)
Actuarial loss on scheme liabilities	(3,883)	3,205
Actuarial loss recognised in the STRGL	(1,669)	(920)

# HAWKER PACIFIC AEROSPACE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2009

### 19 PENSION COMMITMENTS (CONTINUED)

The history of experience gains and losses is

for the years ended 31st December

	2009	2008	2007	2006	2005
Actual return less expected return on plan assets (£000)	2,214	(4,125)	5	420	1,071
Percentage of plan's assets	15%	37%	0%	3%	10%
Experience gains/(losses) arising on Plan's liabilities (£000)	(156)	-	-	708	-
Percentage of the FRS 17 value of the Plan's liabilities	1%	0%	0%	5%	0%
Total amount recognised in the STRGL (£000)	(1,669)	(920)	737	1,554	(808)
Percentage of the FRS 17 value of the Plan's liabilities	9%	7%	5%	12%	(6%)

The expected rates of return on assets are all net of investment management expenses and other expenses of running the plan. For government bonds the expected return has been based on long-dated gilts at the accounting date. For corporate bonds the expected return has been based on long term yields at the accounting date adjusted for the risk of default and downgrade in the future. For equities the expected return has been based on long-dated gilts at the accounting date plus the equity risk premium.

Changes in the present value of the defined benefits obligation are as follows

	Year to 31st December 2009	Year to 31st December 2008
Opening defined benefits obligation	12,375	13,988
Employers part of current service cost	436	645
Interest cost	808	838
Contribution from plan members	276	271
Actuarial loss/(gain)	3,883	(3,205)
Benefits paid	(109)	(162)
Closing defined benefit obligation	<u>17,669</u>	<u>12,375</u>

Changes in the fair value of the plan assets are as follows

	Year to 31st December 2009	Year to 31st December 2008
Opening fair value of the plan assets	(11,271)	(13,531)
Expected return on plan assets	(589)	(938)
Actuarial (gain)/loss	(2,214)	4,125
Contributions by the employer	(816)	(820)
Contributions by plan members	(276)	(271)
Benefits paid	109	162
	<u>(15,057)</u>	<u>(11,271)</u>

### 20 ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking and controlling party at 31 December 2008 was Hawker Pacific Aerospace Inc, incorporated in the USA, which heads the smallest group for which consolidated accounts are prepared. Copies of its group accounts, which include the company are available from 11240 Sherman Way, Sun Valley CA 91352 USA.

Lufthansa Technik AG, a wholly owned subsidiary of Deutsche Lufthansa AG, a company incorporated in Germany, holds all of the shares in Hawker Pacific Aerospace Inc. Copies of its group accounts, which include the company are available from Lufthansa Technik AG, Weg beim Jaeger 193, D22335 Hamburg, Germany.

The directors consider Deutsche Lufthansa AG, which heads the largest group for which group accounts are prepared, to be the ultimate parent and controlling party. Copies of its group accounts, which include the company are available from Deutsche Lufthansa AG, Von Gablenz Strasse 2-6, 50679 Köln, Germany.