

**HAWKER PACIFIC AEROSPACE LIMITED**

**Report and Financial Statements**

**31 December 2003**

**Deloitte & Touche LLP  
St Albans**



# **HAWKER PACIFIC AEROSPACE LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2003**

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# **HAWKER PACIFIC AEROSPACE LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2003**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

James Bennett  
Richard Fortner  
Gavin Hill

#### **SECRETARY**

Gavin Hill

#### **REGISTERED OFFICE**

Unit 3  
Dawley Park  
Kestrel Way  
Hayes  
Middlesex  
UB3 1HP

#### **BANKERS**

National Westminster Bank  
Piccadilly & New Bond Street  
PO Box 2AG  
63 Piccadilly  
London  
W1A 2AG

#### **SOLICITORS**

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

#### **AUDITORS**

Deloitte & Touche LLP  
St Albans

# **HAWKER PACIFIC AEROSPACE LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

### **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.

### **RESULTS**

The loss for the year after taxation amounted to £4,379,000 (2002: £2,741,000).

### **DIVIDENDS**

The directors do not recommend the payment of a dividend (20002: £nil).

### **FUTURE PROSPECTS**

The losses to date reflect the costs of providing a large "high-tec" facility with start up volumes below capacity and the current difficult trading conditions in the aviation sector. Some improvement in trading conditions and increased cost effectiveness are expected to result in a reduced loss in 2004.

### **DIRECTORS AND THEIR INTERESTS**

The directors at the date of this report are shown within Officers and Professional advisers. The following resignation took place since the last annual report:-

Klaus Puetz                      Resigned 30 November 2003

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

There are no other directors' interests requiring disclosure under the Companies Act 1985.

### **AUDITORS**

Deloitte & Touche LLP have indicated their willingness to continue as auditors. Accordingly, a resolution for the re-appointment of Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board  
and signed on behalf of the Board



Gavin Hill

Secretary

26/1/2005

**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 standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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.

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

We have audited the financial statements for Hawker Pacific Aerospace Limited for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 20. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 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 auditors**

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of financial statements which are required to comply with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

### **Basis of opinion**

We conducted our audit in accordance with United Kingdom 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 at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

St Albans

26/1/2005

# HAWKER PACIFIC AEROSPACE LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 December 2003

	Note	2003 £000	2002 £000
<b>TURNOVER</b>	2	18,931	19,115
Cost of sales		(20,898)	(19,257)
Gross loss		(1,967)	(142)
Selling and distribution costs		(358)	(201)
Administrative expenses		(1,374)	(761)
<b>OPERATING LOSS</b>	3	(3,699)	(1,104)
Bank interest receivable		4	2
Interest payable	5	(684)	(1,639)
		(680)	(1,637)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(4,379)	(2,741)
Tax on loss on ordinary activities	6	-	-
<b>LOSS FOR THE FINANCIAL YEAR</b>	16	(4,379)	(2,741)

All turnover and expenses are derived from continuing operations.

There have been no recognised gains and losses attributable to the shareholders other than the loss for the current and preceding financial year; accordingly, no Statement of Total Recognised Gains and Losses is shown.

# HAWKER PACIFIC AEROSPACE LIMITED

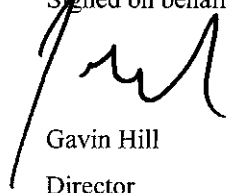
## BALANCE SHEET 31 December 2003

	Note	2003 £000	2002 £000
<b>FIXED ASSETS</b>			
Tangible assets – exchange assets	7	10,099	11,504
Tangible assets – other	8	5,997	6,194
		<u>16,096</u>	<u>17,698</u>
<b>CURRENT ASSETS</b>			
Stocks	9	5,873	6,348
Debtors	10	3,648	4,056
Cash at bank and in hand		103	637
		<u>9,624</u>	<u>11,041</u>
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(6,860)</u>	<u>(5,558)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>2,764</u>	<u>5,483</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		18,860	23,181
<b>CREDITORS: amounts falling due after more than one year</b>	12	(14,008)	(14,014)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	14	<u>(608)</u>	<u>(544)</u>
		<u>4,244</u>	<u>8,623</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	15,270	15,270
Profit and loss account	16	(28,630)	(24,251)
Capital contribution	16	17,604	17,604
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	16	<u>4,244</u>	<u>8,623</u>

These financial statements were approved by the Board of Directors on

26 / 1 / 2005.

Signed on behalf of the Board of Directors

  
Gavin Hill  
Director



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2003**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Tangible fixed assets**

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

Computer equipment	3 years
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.

**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.

**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.

# **HAWKER PACIFIC AEROSPACE LIMITED**

## **NOTES TO THE ACCOUNTS** **Year ended 31 December 2003**

### **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 lives. The interest element of the rental obligations 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.

### **Related party transactions**

The company has taken advantage of the exemption in paragraph 3(c) of Financial Reporting Standard 8 not to disclose transactions with entities which are part of the Group.

### **Pension costs**

A defined benefit pension plan was set up by the company on 1 January 1999 to which new entrants were admitted from that date. Contributions are made to a separately administered fund, and are charged in the profit and loss account so as to spread the cost of pension over the employees' working lives within the company. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension costs are amortised over the average remaining working lives of employees. Differences between the amount funded and the amount charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet.

## **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.

# HAWKER PACIFIC AEROSPACE LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2003

### 3. OPERATING LOSS

This is stated after charging/ (crediting):

	2003 £000	2002 £000
Auditors' remuneration -- audit fee	33	32
Auditors' remuneration -- non audit work	12	21
Depreciation of owned fixed assets	1,680	1,627
Depreciation of assets held under finance leases	9	7
Operating lease rentals -- plant and machinery	32	42
Operating lease rentals -- land and buildings	1,245	1,245
Foreign exchange (gain)/loss	(29)	(779)
	<u>          </u>	<u>          </u>

### 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2003 £000	2002 £000
<b>Directors' remuneration</b>		
Salary and other emoluments	101	79
	<u>          </u>	<u>          </u>
	No.	No.
Number of directors who are members of defined benefit pension scheme	1	1
	<u>          </u>	<u>          </u>
<b>Average number of persons employed</b>		
Production	177	164
Administration	63	60
	240	224
	<u>          </u>	<u>          </u>
	£000	£000
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	6,546	5,833
Social security costs	557	458
Pension costs	493	342
	<u>          </u>	<u>          </u>
	7,596	6,633
	<u>          </u>	<u>          </u>

# HAWKER PACIFIC AEROSPACE LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2003

### 5. INTEREST PAYABLE

	2003 £000	2002 £000
Term loan	641	916
Intercompany loan	-	391
Interest on intercompany revolving credit facility	41	330
Finance lease interest	2	2
	<u>684</u>	<u>1,639</u>

### 6. TAXATION

There is no liability to corporation tax due to losses incurred during the year.

#### *(1) Factors affecting the tax charge*

The tax assessed for the period differs from that resulting from applying the standard rate of corporation tax in the UK of 30% to the loss for the year

	2003 £000	2002 £000
Loss for the year	<u>(4,379)</u>	<u>(2,741)</u>
Tax credit at 30% thereon	1,314	822
Expenses not deductible for tax purposes	(16)	(15)
(Capital allowance in excess of depreciation) /depreciation in excess of capital allowances	(6)	174
Increase in tax losses carried forward	(1,135)	(942)
Movement in short term timing differences	<u>(157)</u>	<u>(39)</u>
Current tax charge for the period	<u>-</u>	<u>-</u>

#### *(2) Deferred taxation*

No provision for deferred taxation has been made. The deferred tax asset unprovided is £ 7,723,180 (2002: £6,660,965). A deferred taxation asset would have been provided if it could be demonstrated that the company would be profitable in the next period.

# HAWKER PACIFIC AEROSPACE LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2003

### 7. TANGIBLE FIXED ASSETS – EXCHANGE ASSETS

	<b>Landing Gear £000</b>	<b>Flap track &amp; flap carriage £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 1 January 2003	14,880	1,530	16,410
Additions	150	-	150
Disposals	(1,653)	-	(1,653)
	<hr/>	<hr/>	<hr/>
At 31 December 2003	13,377	1,530	14,907
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 January 2003	4,717	189	4,906
Provided during the year	917	65	982
Disposals	(1,080)	-	(1,080)
	<hr/>	<hr/>	<hr/>
At 31 December 2003	4,554	254	4,808
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2003	8,823	1,276	10,099
	<hr/>	<hr/>	<hr/>
At 31 December 2002	10,163	1,341	11,504
	<hr/>	<hr/>	<hr/>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2003**

**8. TANGIBLE FIXED ASSETS - OTHER**

	Short leasehold improve- ments £000	Fixtures And fittings £000	Computer Equipment £000	Plant and machinery £000	Motor Vehicles £000	Total £000
<b>Cost</b>						
At 1 January 2003	4,910	61	634	3,265	4	8,874
Additions	135	5	11	359	-	510
Disposals	-	-	-	(3)	-	(3)
At 31 December 2003	5,045	66	645	3,621	4	9,381
<b>Accumulated depreciation</b>						
At 1 January 2003	660	33	544	1,440	3	2,680
Charge for the year	211	12	53	431	-	707
Disposals	-	-	-	(3)	-	(3)
At 31 December 2003	871	45	597	1,868	3	3,384
<b>Net book value</b>						
At 31 December 2003	4,174	21	48	1,753	1	5,997
At 31 December 2002	4,250	28	90	1,825	1	6,194

Fixed assets include assets held under finance leases with a net book value of £18,769 (2002: £13,563).

**9. STOCKS**

	2003 £000	2002 £000
Work-in-progress	2,219	3,070
Finished goods and goods for resale	3,654	3,278
	5,873	6,348

# HAWKER PACIFIC AEROSPACE LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2003

### 10. DEBTORS

	2003 £000	2002 £000
Trade debtors	3,149	3,306
Other debtors	107	343
Prepayments and accrued income	392	407
	<u>3,648</u>	<u>4,056</u>

### 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £000	2002 £000
Trade creditors	1,582	1,876
Amounts due to parent undertakings	2,552	558
Taxation and social security costs	183	168
Other creditors	36	106
Accruals and deferred income	2,490	2,844
Obligations under finance leases	17	6
	<u>6,860</u>	<u>5,558</u>

# HAWKER PACIFIC AEROSPACE LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2003

### 12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003 £000	2002 £000
Bank loan	14,000	14,000
Finance lease obligations (see note 13)	8	14
	<u>14,008</u>	<u>14,014</u>

The bank loan is from Helaba of Frankfurt, repayable within three years and at an interest rate of LIBOR plus 0.6%. The loan is secured via a blanket lien over all assets of the immediate parent company, a pledge on all shares in Hawker Pacific Aerospace Limited, and fixed and floating charges over the assets of Hawker Pacific Aerospace Limited.

### 13. OBLIGATIONS UNDER FINANCE LEASES

	2003 £000	2002 £000
Wholly repayable within five years		
Within one year	20	7
In two to five years	10	16
	<u>30</u>	<u>23</u>
Less: finance charges allocated to future periods	(5)	(3)
	<u>25</u>	<u>20</u>
Current obligations (note 11)	17	6
Non-current obligations (note 12)	8	14
	<u>25</u>	<u>20</u>

The finance leases are secured over related fixed assets.

### 14. PROVISIONS FOR LIABILITIES AND CHARGES

	Contract provision £000	SSAP24 provision £000	Warranty provision £000	Total £000
At 1 January 2003	346	18	180	544
Utilised in year	(260)	-	-	(260)
Provided in year	222	102	-	324
At 31 December 2003	<u>308</u>	<u>120</u>	<u>180</u>	<u>608</u>



# HAWKER PACIFIC AEROSPACE LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2003

### 15. SHARE CAPITAL

	2003 £000	2002 £000
<b>Authorised</b>		
Ordinary shares of £1 each	20,000	20,000
<b>Called up, allotted and fully paid</b>		
Ordinary shares of £1 each	15,270	15,270

In December 2002 the authorised share capital of the company was increased by £10 million and 9.6 million shares were issued at par to the immediate parent company.

### 16. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share Capital £000	Capital Contribut- ion £000	Profit and Loss Account £000	Total £000
At 1 January 2003	15,270	17,604	(24,251)	8,623
Loss for the year	-	-	(4,379)	(4,379)
At 31 December 2003	15,270	17,604	(28,630)	4,244

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

### 17. FINANCIAL COMMITMENTS

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

	31 December 2003		31 December 2002	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	-	2	-	4
Within two and five years	-	18	-	12
In over five years	1,245	-	1,245	-
	1,245	20	1,245	16

### 18. CAPITAL COMMITMENTS

At 31 December 2003 capital commitments contracted but not provided for in these accounts were £ nil (2002: £80,600).

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2003**

**19. PENSION COMMITMENTS**

The company operates a defined benefit pension scheme that commenced on 1 January 1999. The assets of the scheme are held separately from those of the company in a trustee administered fund.

In line with the requirements of FRS 17, published by the Accounting Standards Board in November 2000, details in respect of the scheme are provided in accordance with both SSAP 24 and FRS 17. The Company will not be adopting FRS 17 earlier than the mandatory requirement to do so and therefore the figures in the accounts reflect the SSAP details below.

**SSAP 24**

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The pension cost is determined by a qualified actuary using the projected unit method.

The most recent formal actuarial valuation was carried out as at 31 December 2002. 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, pensions and dividends. It was assumed that the investment returns would be 7.25% per annum before retirement and 5% after retirement, that salary increases would average 2.3% per annum, that present and future pensions would increase at the rate of 2.2% per annum.

The actuarial valuation showed that the market value of the scheme's assets was £4,953,000 and that the actuarial value of those assets represented 89% of the benefits that had accrued to members, after allowing for expected future increases in salaries.

The pension cost for the year was £493,000 (2002: £342,200). This included allowance of £61,000 (2002: £56,100) in respect of the amortisation of experience surpluses that are being recognised over 13 years, the average remaining service lives of employees using the percentage of payroll spreading method.

A provision of £119,900 (2002: £17,900) is included in creditors at the end of the year.

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2003**

**19. PENSION COMMITMENTS (CONTINUED)**

**FRS 17**

The actuarial valuation was updated to 31 December 2002 and 31 December 2003, by an independent qualified actuary in accordance with the transitional arrangements of 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 FRS 17 assumptions used for the scheme. The table also sets out as at 31 December 2002 and 31 December 2003 the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS 17 liabilities and the surplus/deficit of assets above/below the FRS 17 liabilities (which equals the gross pension asset/liability).

<b>Assumptions</b>	<b>31 December 2003</b>	<b>31 December 2002</b>	<b>31 December 2001</b>
Price inflation	2.7% pa	2.5% pa	2.5% pa
Discount rate	5.4% pa	5.8% pa	6.0% pa
Pension increases (LPI, where applicable)	2.6% pa	2.5% pa	2.5% pa
Salary growth	1.7% pa	3.5% pa	3.5% pa

<b>Asset distribution and expected returns</b>	<b>31 December 2003</b>		<b>31 December 2002</b>		<b>31 December 2001</b>	
	<b>Expected return</b>	<b>Fair value £000</b>	<b>Expected return</b>	<b>Fair value £000</b>	<b>Expected return</b>	<b>Fair value £000</b>
Components						
Equities	8.2% pa		8.0% pa	3,874	8.0% pa	4,623
Bonds	5.1% pa		5.8% pa	522	6.0% pa	994
Other	5.2% pa		4.5% pa	980	4.9% pa	326

<b>Balance sheet</b>	<b>31 December 2003</b>	<b>31 December 2002</b>	<b>31 December 2001</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Total fair value of assets	7,000	5,376	5,943
Present value of liabilities	(8,436)	(7,143)	(5,943)
Gross pension liability	(1,436)	(1,767)	-

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2003**

**19. PENSION COMMITMENTS (CONTINUED)**

Over the year to 31 December 2003, contributions by the Company of £389,000 (2002: £345,000) were made to the scheme. It has been agreed with the trustees that contributions will be at the level of 10% of pensionable pay for members on the main benefit scale, 15% for former New Airways Pension Scheme members and 15.5% for former Airways Pension Scheme members.

The post retirement surplus/deficit under FRS 17 would have moved as follows during the year to 31 December 2003:

	<b>Year to 31 December 2003 £000</b>	<b>Year to 31 December 2002 £000</b>
Post retirement deficit at 31 December 2002	(1,767)	-
Current service cost (employee and employer)	(898)	(684)
Contributions (employee and employer)	643	585
Other net finance income	(34)	89
Actuarial gain/(loss)	620	(1,757)
Post retirement deficit at 31 December 2003	(1,436)	(1,767)

The following amounts would have been included within operating profit under FRS 17:

	<b>Year to 31 December 2003 £000</b>	<b>Year to 31 December 2002 £000</b>
Current service cost (employer's part only)	644	445
Past service cost	-	-
Total operating charge	644	445

The following amounts would have been included as net finance income under FRS 17:

	<b>Year to 31 December 2003 £000</b>	<b>Year to 31 December 2002 £000</b>
Expected return on pension scheme assets	403	464
Interest on post retirement liabilities	(437)	(375)
Net return to credit to finance income	(34)	89

The following amounts would have been recognised within the statement of recognised gains and losses ("STRGL") under FRS 17:

	<b>Year to 31 December 2003</b>		<b>Year to 31 December 2002</b>	
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
Actual return less expected return on scheme assets	688	10%	(1,522)	(28%)
Experience gains arising on liabilities	165	2%	144	2%
Losses due to changes in assumptions underlying the present value of scheme liabilities	(223)		(379)	
Actuarial gain/(loss) recognised in the STRGL	620	7%	(1,757)	(25%)

The above percentages show the STRGL components as a percentage of the end of year asset or liability, as appropriate.

The Company's net assets, including the disclosed FRS 17 balance sheet item above, would have been £6,874,000 at 31 December 2002 and £2,928,000 at 31 December 2003.

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2003**

**20. ULTIMATE PARENT UNDERTAKING**

The company's immediate parent undertaking and controlling party at 31 December 2003 was Hawker Pacific Aerospace Inc., incorporated in the USA, which heads the smallest group for which group accounts are prepared.

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.

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.