

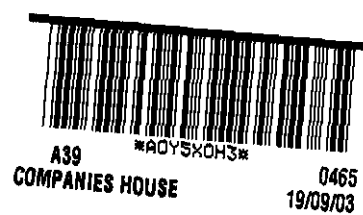
**THE SOCIETY OF BRITISH AEROSPACE  
COMPANIES LIMITED**

(A company limited by guarantee)

**Report and Financial Statements**

**31 December 2002**

**Deloitte & Touche  
London**



**THE SOCIETY OF BRITISH AEROSPACE COMPANIES LIMITED**  
**(A company limited by guarantee)**

**REPORT AND FINANCIAL STATEMENTS 2002**

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**THE SOCIETY OF BRITISH AEROSPACE COMPANIES LIMITED**  
**(A company limited by guarantee)**

**DIRECTORS AND PROFESSIONAL ADVISERS**

**DIRECTORS (MEMBERS OF THE COUNCIL)**

Dr J Blogh	(Resigned 13 February 2002)
Mr C E Blundell	(Appointed 19 June 2002)
Mr M T Broadhurst	
Mr D R Brown	
Mr M J S Bryson	(Appointed 19 June 2002)
Mr H J Burridge	
Mr W G P Busuttil	(Appointed 19 June 2002)
Mr R I Case, CBE	
Mr J Cheffins	
Mr R H L Clark	
Mr A E Cook	
Mr R Deakin	
Dr J Ferrie	
Mr S R Frost, OBE	
Mr C V Geoghegan	
Mr J Gimson	(Resigned 18 December 2002)
Mr I G Gray	(Appointed 24 April 2002)
Mr C H Green	
Mr N J Guttridge	
Mr S H Henwood	
Mr R Herman-Smith	(Appointed 19 June 2002)
Mr S R Hill	(Appointed 13 February 2002)
Mr J F Howe, CB, OBE	
Mr M W M Hurst	
Mr J M Janke	(Appointed 24 April 2002)
Mr A J Lewis	(Appointed 13 February 2002)
Mr R Loveley	
Mr W K Maciver, CBE	(Resigned 18 September 2002)
Mr D R Matthews	(Resigned 18 September 2002)
Mr W R Mawer	
Mr R E McIntyre	(Appointed 19 June 2002)
Mr P R McKee	(Resigned 13 February 2002)
Mr G F Page, CBE	
Mr A W Rice	(Resigned 13 February 2002)
Mr J R Rivers	
Mr M Ryan	
Mr R D Smith	
Mr A J Stevens	(Appointed 18 September 2002)
Mr I R Stopps	
Mr G K Thornton	(Resigned 18 December 2002)
Mr R J W Thwaites	(Appointed 18 December 2002)
Mr R T Turner, CMG, OBE	(Resigned 19 June 2002)
Dr M Tatcher	(Resigned 13 February 2002)
Mr T Twigger	
Mr P Walton-Knight	
Mr J P Weston CBE	(Resigned 26 March 2002)
Mr N G Whitehead	(Appointed 24 April 2002)
Mr T C Williams	
Mr J R G Wood	
Mr R J Wood	(Resigned 18 December 2002)

**THE SOCIETY OF BRITISH AEROSPACE COMPANIES LIMITED**  
**(A company limited by guarantee)**

**DIRECTORS AND PROFESSIONAL ADVISERS**

**SECRETARY**

Mrs K E Bird BEM

**REGISTERED OFFICE**

Duxbury House  
60 Petty France  
Victoria  
London  
SW1H 9EU

**SOLICITORS**

Beachcroft Wansbrough  
20 Furnival Street  
London  
EC4A 1BN

**BANKERS**

Lloyds TSB Plc  
4th Floor  
4/6 Copthall Avenue  
London  
EC2R 7DA

National Westminster Bank Plc  
PO Box 1357  
169 Victoria Street  
London  
SW1E 5BT

Barclays Bank Plc  
2 Victoria Street  
London  
SW1H 0ND

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
London

**THE SOCIETY OF BRITISH AEROSPACE COMPANIES LIMITED**  
**(A company limited by guarantee)**

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

**REVIEW OF THE BUSINESS**

The principal activity of the Society continues to be that of an association representing and promoting the United Kingdom aerospace industry.

A summary of the year's results is given on page 6 of the financial statements.

In the view of the directors the Society's likely future developments will continue to centre on the promotion and representation of the United Kingdom aerospace industry. However, due consideration would be given by the directors to any unforeseen opportunity which presents itself.

**DIRECTORS**

The Society's affairs are controlled by the Council, the members of which are the directors. The directors who have been Council members since the production of the last statutory accounts are listed on page 1. None of the directors has any financial interests in the Society or its subsidiary undertaking.

**DONATIONS**

During the year the Society made charitable donations amounting to £2,000 (2001 – £250).

**AUDITORS**

Deloitte & Touche will not be seeking reappointment as auditors at the forthcoming Annual General Meeting.

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly, although the accounts were signed in the name of Deloitte & Touche, a resolution for the appointment of Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

Approved by Members of the Council and signed by order of the Council



Mrs K E Bird BEM

Secretary

11 August 2003

**THE SOCIETY OF BRITISH AEROSPACE COMPANIES LIMITED**  
**(A company limited by guarantee)**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom 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; and
- prepare the financial statements on a 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 the system of internal control, 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  
THE SOCIETY OF BRITISH AEROSPACE COMPANIES LIMITED  
(A company limited by guarantee)**

We have audited the financial statements of The Society of British Aerospace Companies Limited for the year ended 31 December 2002 which comprise the income and expenditure account, the statement of total recognised gains and losses, the statement of movement on reserves, the balance sheet, the cash flow statement and the related notes 1 to 21. These 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 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 auditors**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance 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 our opinion 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 the 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 and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

**Basis of audit 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 circumstances of the company, consistently applied and adequately disclosed.

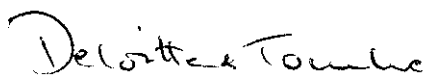
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Fundamental Uncertainty**

In forming our opinion, we have considered the adequacy of the disclosures made in note 9 to the financial statements concerning the assets held at the Farnborough airfield site the lease for which has not yet been signed. In view of the significance of this matter, we consider that it should be brought to your attention. Our opinion is not qualified in this respect.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 and of the excess of income over expenditure of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche**  
Chartered Accountants and Registered Auditors  
London

12 August 2003

**THE SOCIETY OF BRITISH AEROSPACE COMPANIES LIMITED**  
**(A company limited by guarantee)**

**INCOME AND EXPENDITURE ACCOUNT**  
**Year ended 31 December 2002**

	Note	2002 £	2001 £
<b>OPERATING INCOME</b>	2	19,270,205	1,336,497
<b>OPERATING EXPENDITURE</b>			
Staff costs	3	2,632,361	2,490,753
Administration and establishment charges		1,440,069	912,838
A.E.C.M.A./E.D.I.G.		456,308	483,182
Depreciation		272,515	186,452
Farnborough International site preparation, maintenance and operating expenditure		13,015,378	358,262
		<u>(17,816,631)</u>	<u>(4,431,487)</u>
<b>OPERATING SURPLUS/(DEFICIT)</b>		<u>1,453,574</u>	<u>(3,094,990)</u>
(Loss)/profit on disposal of fixed asset investments	6	(27,207)	1,928
<b>EXCESS OF INCOME OVER EXPENDITURE / (EXPENDITURE OVER INCOME) BEFORE INTEREST</b>		<u>1,426,367</u>	<u>(3,093,062)</u>
Interest receivable and similar income	4	271,518	271,420
Interest payable and similar charges	5	(19,339)	-
<b>EXCESS OF INCOME OVER EXPENDITURE / (EXPENDITURE OVER INCOME) BEFORE TAXATION</b>	7	1,678,546	(2,821,642)
Tax (charge) / credit	8	<u>(641,470)</u>	<u>637,139</u>
<b>EXCESS OF INCOME OVER EXPENDITURE / (EXPENDITURE OVER INCOME) AFTER TAXATION</b>		<u><u>1,037,076</u></u>	<u><u>(2,184,503)</u></u>

The above results derive from continuing operations.



**THE SOCIETY OF BRITISH AEROSPACE COMPANIES LIMITED**  
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**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year ended 31 December 2002**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Excess of income over expenditure / (expenditure over income) for the year	1,037,076	(2,184,503)
Unrealised surplus/(deficit) on revaluation of investments	28,780	(183,211)
Total recognised gains and losses for the year	<u>1,065,856</u>	<u>(2,367,714)</u>

**STATEMENT OF MOVEMENT ON RESERVES**  
**Year ended 31 December 2002**

	<b>Income and expenditure account</b>	<b>Revaluation reserve</b>
	<b>£</b>	<b>£</b>
At 1 January 2002	4,254,054	300,866
Excess of income over expenditure	1,037,076	-
Transfer of realised revaluation reserve	28,365	(28,365)
Increase on revaluation of investments	-	28,780
At 31 December 2002	<u>5,319,495</u>	<u>301,281</u>


**THE SOCIETY OF BRITISH AEROSPACE COMPANIES LIMITED**  
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**BALANCE SHEET**  
**31 December 2002**

	Note	2002 £	2001 £
<b>FIXED ASSETS</b>			
Tangible assets	9	4,949,520	3,523,504
Investments	10	1,931,669	2,187,054
		<u>6,881,189</u>	<u>5,710,558</u>
<b>CURRENT ASSETS</b>			
Debtors	11	2,749,857	3,153,159
Cash at bank and in hand		297,737	1,386,261
		<u>3,047,594</u>	<u>4,539,420</u>
<b>CREDITORS: amounts falling due within one year</b>			
Trade creditors		940,984	561,004
Other creditors including taxation and social security	12	861,833	422,284
Accruals and deferred income	13	1,834,578	4,628,940
		<u>3,637,395</u>	<u>5,612,228</u>
<b>NET CURRENT LIABILITIES</b>		(589,801)	(1,072,808)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		6,291,388	4,637,750
<b>CREDITORS: amounts falling due after more than one year</b>	14	(585,032)	-
<b>NET ASSETS</b>		<u>5,706,356</u>	<u>4,637,750</u>
<b>CAPITAL AND RESERVES</b>			
Society entrance fees	16	85,580	82,830
Revaluation reserve		301,281	300,866
Income and expenditure account		5,319,495	4,254,054
		<u>5,706,356</u>	<u>4,637,750</u>

These financial statements were approved by the Members of the Council on 11 August 2003.

Signed on behalf of the Council

Directors (Members of the Council)

**THE SOCIETY OF BRITISH AEROSPACE COMPANIES LIMITED**  
**(A company limited by guarantee)**

**CASH FLOW STATEMENT**  
**Year ended 31 December 2002**

	<b>Note</b>	<b>2002 £</b>	<b>2001 £</b>
<b>Net cash outflow from operating activities</b>	19	(937,218)	(849,407)
<b>Returns on investments and servicing of finance</b>			
Interest received		269,128	265,509
Interest element of finance lease rentals		(19,339)	-
		<u>249,789</u>	<u>265,509</u>
<b>Taxation</b>		587,876	(516,630)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(773,761)	(1,152,200)
Payments to acquire fixed asset investments		(510,889)	-
Receipts from sale of fixed asset investments		518,651	-
		<u>(765,999)</u>	<u>(1,152,200)</u>
<b>Management of liquid resources</b>			
Increase in cash held on deposit with Carr Sheppard Crosthwaite	10	(19,451)	-
<b>Net cash outflow before financing</b>		<u>(885,003)</u>	<u>(2,252,728)</u>
<b>Financing</b>			
Receipts of entrance fees		2,750	2,750
Capital element of finance lease rental payments		(208,661)	-
<b>Net cash (outflow)/inflow from financing</b>		<u>(205,911)</u>	<u>2,750</u>
<b>Decrease in cash in the year</b>	20	<u>(1,090,914)</u>	<u>(2,249,978)</u>

**THE SOCIETY OF BRITISH AEROSPACE COMPANIES LIMITED**  
**(A company limited by guarantee)**

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**1. ACCOUNTING POLICIES**

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

**Accounting convention**

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain fixed assets.

**Turnover**

Turnover is derived from two sources. The majority is received from ticket sales, net of VAT, made relating to the biennial air show. In addition to this, subscription income is received annually from all members of the Society. All turnover is derived from within the United Kingdom.

**Tangible fixed assets**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is not provided on freehold land. On other assets it is provided on cost in equal annual instalments over the estimated lives of the assets, with a full year's depreciation being charged in the year of acquisition and none in the year of sale. The rates of depreciation are as follows:

Freehold buildings	2% per annum
Fixtures, fittings and flying display equipment	4% to 15% per annum
Motor vehicles	33.3% per annum
Computer equipment	20% per annum

**Investments**

Listed investments held as fixed assets are stated at their mid-market value at the year end with any resulting surplus or deficit on revaluation being taken to revaluation reserve. Realised gains and losses represent the net sales proceeds less the carrying value. Unquoted investments held as fixed assets comprise shares in subsidiary undertakings and are stated at cost, less provision for impairment.

**Cash**

The cash figure includes cash at bank and in hand, but excludes cash held by the investment managers as part of the investment portfolio. However cash movements related to acquisitions and disposals of investments by the investment managers have been included in the cash flow statement.

**Government grants**

Government grants are recognised in the profit and loss account so as to match them with the expenditure towards which they are intended to contribute.

**Deferred taxation**

The Society has adopted FRS 19 during the year. There has been no impact on current year and prior year results, and accordingly there has been no restatement of comparatives.

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 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.

**THE SOCIETY OF BRITISH AEROSPACE COMPANIES LIMITED**  
**(A company limited by guarantee)**

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**1. ACCOUNTING POLICIES (continued)**

**Expenditure on Farnborough International site**

All normal expenditure incurred in preparation for Farnborough International is charged against revenue in the year that it is incurred. Costs associated with new facilities at the Farnborough site are capitalised as assets in the course of construction where appropriate. Once brought into use they are depreciated on a straight-line basis over their estimated lives as follows:

Fixtures, fittings and flying display equipment                      15% per annum

**Leases**

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over their useful lives. The capital element of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of the capital repayments outstanding.

**Pension costs**

The expected cost of providing pensions, as calculated periodically by a professionally qualified actuary, is charged to the income and expenditure account so as to spread the cost over the service lives of employees in the scheme, in such a way that the pension cost is a substantially level percentage of the current and expected future pensionable payroll.

**2. OPERATING INCOME**

Income from continuing operations includes revenue from air show and exhibition activities together with contributions from members of the Society of £2,039,690 (2001 – £1,268,046).

**3. STAFF COSTS**

The members of the Council, who are the directors are not entitled to any fees or emoluments in respect of their services to the Company. Correspondingly, no fees or emoluments were paid to members of the Council during the year ended 31 December 2002 (2001 - £nil).

	2002 £	2001 £
<b>Staff costs during the year were:</b>		
Wages and salaries	1,661,999	1,811,056
Pension costs	342,716	303,116
Social security costs	207,008	176,334
Temporary staff costs (excluding social security costs)	259,311	41,072
Other staff costs	161,327	159,175
	<u>2,632,361</u>	<u>2,490,753</u>
	<b>No.</b>	<b>No.</b>
<b>The average number of persons employed:</b>		
Permanent staff	<u>68</u>	<u>63</u>

In addition, during the year to 31 December 2002, a further 61 (2000 – 40) temporary staff were employed for the 2002 Farnborough International Airshow.

**THE SOCIETY OF BRITISH AEROSPACE COMPANIES LIMITED**  
**(A company limited by guarantee)**

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**4. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Bank and money market interest	192,523	162,920
Income from fixed asset investments	76,605	102,589
	<hr/>	<hr/>
	269,128	265,509
Foreign exchange gain	2,390	5,911
	<hr/>	<hr/>
	<u>271,518</u>	<u>271,420</u>

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Interest payable on finance leases	19,339	-
	<hr/>	<hr/>
	<u>19,339</u>	<u>-</u>

**6. (LOSS)/PROFIT ON SALES OF FIXED ASSET INVESTMENTS**

The (loss)/profit on sales of fixed asset investments comprises a realised loss on sale of investments of £27,207 (2001 – profit of £1,928).

**7. EXCESS OF INCOME OVER EXPENDITURE / (EXPENDITURE OVER INCOME) BEFORE TAXATION**

The excess of income over expenditure / (expenditure over income) before taxation is stated after charging:

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Depreciation:		
Owned assets	193,851	186,452
Leased assets	78,664	-
Auditors' remuneration:		
Audit fees	33,700	23,400
Non-audit fees	27,660	14,130
Rentals under operating leases:		
Other operating leases	126,305	53,462
And after crediting:		
Government grants	<u>18,460</u>	<u>16,443</u>

**THE SOCIETY OF BRITISH AEROSPACE COMPANIES LIMITED**  
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**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**8. TAX CHARGE / (CREDIT) ON ORDINARY ACTIVITIES**

	2002 £	2001 £
United Kingdom corporation tax charge/(credit) at a rate of 30% (2001 – 30%)	641,470	(523,579)
Foreign tax for current period	-	708
	<u>641,470</u>	<u>(522,871)</u>
Adjustment in respect of prior years	-	(114,268)
	<u>641,470</u>	<u>(637,139)</u>

The tax assessed for the period is higher than that resulting from the standard rate of corporation tax in the UK of 30% (2001 – 30%). The differences are explained below:

	2002 £	2001 £
Excess of income over expenditure / (expenditure over income) before taxation	1,678,546	(2,821,643)
Tax at 30% thereon (2001 – 30%)	503,564	(846,493)
Plus/(less) the effect of:		
Expenses not deductible for tax purposes	339,747	57,534
Capital allowances in excess of depreciation	(58,354)	14,093
Utilisation of tax losses	(171,407)	181,513
Movement in short term timing differences	47,849	63,787
Chargeable gains	-	27,726
Non-taxable UK investment income	(19,929)	(21,739)
Foreign tax credit	-	708
	<u>641,470</u>	<u>(522,871)</u>

**THE SOCIETY OF BRITISH AEROSPACE COMPANIES LIMITED**  
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**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**9. TANGIBLE FIXED ASSETS**

	Freehold land and buildings £	Fixtures, fittings and flying display equipment £	Motor vehicles £	Computer equipment £	Payments on account and assets in the course of constructions £	Total £
<b>Cost</b>						
At 1 January 2002	2,987,140	593,437	12,934	486,321	553,922	4,633,754
Transfers	-	553,922	-	-	(553,922)	-
Additions	295,052	1,364,605	-	38,874	-	1,698,531
<b>At 31 December 2002</b>	<b>3,282,192</b>	<b>2,511,964</b>	<b>12,934</b>	<b>525,195</b>	<b>-</b>	<b>6,332,285</b>
<b>Accumulated depreciation</b>						
At 1 January 2002	329,735	395,405	12,834	372,276	-	1,110,250
Charge for the year	65,113	163,827	-	43,575	-	272,515
<b>At 31 December 2002</b>	<b>394,848</b>	<b>559,232</b>	<b>12,834</b>	<b>415,851</b>	<b>-</b>	<b>1,382,765</b>
<b>Net book value</b>						
At 31 December 2002	2,887,344	1,952,732	100	109,344	-	4,949,520
At 31 December 2001	2,657,405	198,032	100	114,045	553,922	3,523,504

The net book value of fixtures, fittings and flying display equipment held under finance leases at 31 December 2002 was £846,108 (2001 - £nil). These assets are held at the Farnborough airfield site, the lease for which has not yet been signed.

Failure to sign this lease would result in the write-off of these assets and would seriously affect the future of the airshow. The likelihood of this is considered remote given that a head lease between the Ministry of Defence and TAG Aviation has been signed. This stipulates that TAG must sign an underlease allowing the SBAC to use the site for the airshow.



**THE SOCIETY OF BRITISH AEROSPACE COMPANIES LIMITED**  
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**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**10. INVESTMENTS HELD AS FIXED ASSETS**

(a) Shares listed on a recognised investment exchange in Great Britain:

	2002 £	2001 £
Value of listed investments held at 1 January	2,036,542	2,307,880
Additions at cost	510,889	458,074
Disposals at valuation	(518,777)	(519,122)
	<u>2,028,654</u>	<u>2,246,832</u>
Provision for impairment at 1 January	(27,079)	-
Charged in the year	(268,649)	(27,079)
	<u>(295,728)</u>	<u>(27,079)</u>
Provision for impairment at 31 December		
	<u>(295,728)</u>	<u>(27,079)</u>
Unrealised net appreciation/(depreciation) at 31 December credited/(debited) to revaluation reserve	28,780	(183,211)
	<u>1,761,706</u>	<u>2,036,542</u>
Cash held by Carr Sheppard Crosthwaite Limited at 31 December	169,961	150,510
	<u>1,931,667</u>	<u>2,187,052</u>
Mid market value of listed investments held at 31 December	<u>1,931,667</u>	<u>2,187,052</u>

The original cost of the listed investments was £1,747,948 (2001 – £1,762,755)

(b) Shares in subsidiary company:

	2002 £	2001 £
SBAC (Farnborough) Limited	2	2
Total value of fixed asset investments at 31 December	<u>1,931,669</u>	<u>2,187,054</u>

SBAC (Farnborough) Limited is a wholly owned subsidiary registered in England and Wales, which has not traded since incorporation on 27 October 1983. As permitted under the Companies Act 1985 Section 229 (3), consolidated financial statements have not been prepared, the amounts being insignificant. These financial statements present information about the company as an individual undertaking and not as a group.

**THE SOCIETY OF BRITISH AEROSPACE COMPANIES LIMITED**  
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**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**11. DEBTORS**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Trade debtors	1,495,660	1,334,448
VAT	276,064	523,400
Recoverable taxes on investment income	1,428	35,225
Corporation tax recoverable	-	554,079
Other debtors	2,536	5,786
Prepayments and accrued income	974,169	700,221
	<u>2,749,857</u>	<u>3,153,159</u>

**12. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Obligations under finance leases	131,079	-
Corporation tax	641,470	-
Other taxation including social security	58,185	122,440
Other creditors	31,099	299,844
	<u>861,833</u>	<u>422,284</u>

**13. ACCRUALS AND DEFERRED INCOME**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Accruals and deferred income	1,834,578	1,376,226
Farnborough International 2002 deposits	-	3,252,714
	<u>1,834,578</u>	<u>4,628,940</u>

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**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2002	2001
	£	£
Obligations under finance leases due within two to five years	585,032	-

The maturity of obligations under finance leases is as follows:

	2002	2001
	£	£
Within one year	228,000	-
In the second to fifth year	684,000	-
	912,000	-
Less future finance charges	(195,889)	-
	716,111	-
	131,079	-
Obligations under finance leases due within one year	585,032	-
Obligations under finance leases due within two to five years	716,111	-

**15. DEFERRED TAXATION**

A deferred tax asset has not been recognised in respect of timing differences relating to provisions and fixed assets qualifying for capital allowances as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £105,460 (2001 – liability of £291,868).

**16. SOCIETY ENTRANCE FEES**

	2002	2001
	£	£
Balance at 1 January	82,830	80,080
Received during the year	2,750	2,750
Balance at 31 December	85,580	82,830

**17. OPERATING LEASE COMMITMENTS**

At 31 December 2002 the Society was committed to making the following payments in respect of other operating leases:

	2002	2001
	£	£
Leases which expire:		
Within one year	22,858	14,044
Within two to five years	69,839	83,232
	92,697	97,276

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**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**18. PENSIONS**

The Society operates a defined benefit pension scheme for its own employees. The assets of the scheme are held separately from those of the Society in an independently administered fund. The contributions are determined by an independent, qualified actuary on the basis of triennial valuations and exceed those calculated using the Projected Unit Method with a 20 year control period.

At retirement, pensions will be provided directly from the fund.

The company currently accounts for pensions under SSAP 24. Under the transitional arrangements for FRS 17, the company is required to provide additional disclosures relating to its pension scheme.

**SSAP 24**

The latest actuarial valuation was made as at 31 January 2002. At that date the market value of the scheme's assets was £4,357,000 and the actuarial value of the assets was sufficient to cover 94% of the benefits that have accrued to members, after allowing for expected future earnings increases. The deficit is being eliminated by increasing the level of contributions. Following the valuation, it was agreed to adopt employer contribution rates of 22.5% and 17.5% of pensionable pay for executives and other employees respectively.

The pension charge for the year was £342,716 (2001 - £303,116). It has been calculated to achieve and maintain full cover for the accrued benefits in the future, fully allowing for expected future salary increases as they occur. The employer contribution paid in the period was equal to the expense charged. There is therefore no pension accrual or prepayment at the balance sheet date.

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**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**18. PENSIONS (continued)**

**FRS 17**

The figures shown below have been based on full actuarial valuations as at 31 January 1999, updated as at 31 December 2002.

The liabilities of the scheme at 31 December 2002 were calculated on the following bases as required under FRS 17:

	At 31 December 2002 % p.a.	At 31 December 2001 % p.a.
Rate of increase in salaries	3.5	3.5
Rate of increase in pensions in payment	2.5	2.5
Rate of increase in deferred pensions	2.5	2.5
Discount rate	5.5	6.25
Inflation assumption	2.5	2.5

The fair value of the assets in the scheme, the present value of liabilities in the scheme and the expected rate of return at each balance sheet date were as follows:

	Expected rate of return at 31 December 2002 %	Fair value at 31 December 2002 £	Expected rate of return at 31 December 2001 %	Fair value at 31 December 2001 £
Equities	8.0	2,836,000	7.0	3,298,000
Bonds	5.0	812,000	5.0	680,000
Other Assets	-	-	5.0	384,000
Total fair value of assets		3,648,000		4,362,000
Present value of scheme liabilities		(5,720,000)		(4,378,000)
Net pension liability		(2,072,000)		(16,000)

There was no related deferred tax asset at the year end. Had the company opted for early adoption of FRS 17 and ignoring any change to the current year pension charge that may have resulted from the early adoption, the profit and loss reserve would have been restated as follows:

	At 31 December 2002 £	At 31 December 2001 £
Income and expenditure account as stated	5,667,723	4,254,054
Net pension liability under FRS 17	(2,072,000)	(16,000)
Income and expenditure account restated	3,595,723	4,238,054

**THE SOCIETY OF BRITISH AEROSPACE COMPANIES LIMITED**  
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**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**18. PENSIONS (continued)**

Analysis of the amount that would have been charged to operating profit under FRS17:

	<b>2002</b> <b>£</b>
Current service cost	225,000
Past service cost	-
Gain on settlements and curtailments	-
	<hr/> 225,000 <hr/>

Analysis of the amount that would have been credited to net finance income under FRS17:

	<b>2002</b> <b>£</b>
Expected return on pension scheme assets	284,000
Interest on pension scheme liabilities	(274,000)
	<hr/> 10,000 <hr/>

Analysis of the actuarial loss that would have been recognised in the statement of total recognised gains and losses:

	<b>2002</b> <b>£</b>
Expected return less actual return on pension scheme assets	1,048,000
Experience losses arising on scheme liabilities	316,000
Changes in assumptions underlying the present value of the scheme liabilities	752,000
	<hr/> 2,116,000 <hr/>

History of experience gains and losses:

	<b>2002</b>
<b>Difference between the expected and actual return on scheme assets:</b>	
Amount (£)	1,048,000
Percentage of scheme assets	28.7%
<b>Experience gains and losses on scheme liabilities:</b>	
Amount (£)	316,000
Percentage of the present value of scheme liabilities	5.5%
<b>Total actuarial loss recognised in the statement of total recognised gains and losses:</b>	
Amount (£)	752,000
Percentage of the present value of scheme liabilities	13.1%

**THE SOCIETY OF BRITISH AEROSPACE COMPANIES LIMITED**  
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**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2002**

**19. RECONCILIATION OF OPERATING SURPLUS/(DEFICIT) TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	2002 £	2001 £
Operating surplus/(deficit)	1,453,574	(3,094,990)
Depreciation	272,515	186,452
Increase in debtors	(184,574)	(552,583)
(Decrease) / Increase in creditors	(2,747,382)	2,584,635
Increase in provisions	268,649	27,079
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>(937,218)</b>	<b>(849,407)</b>

**20. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	2002 £	2001 £
Decrease in cash in the year	(1,090,914)	(2,249,978)
Cash inflow from increase in lease financing	208,661	-
Increase in net debt resulting from cash flows	(882,253)	(2,249,978)
New finance leases	(924,772)	-
Currency translation differences	2,390	5,911
Increase in net borrowings for the year	(1,804,635)	(2,244,067)
Net funds at 1 January	1,386,261	3,630,328
Net debt / (funds) at 31 December	(418,374)	1,386,261

**21. ANALYSIS OF NET DEBT**

	At 1 January 2002 £	Cash Flows £	Other non-cash changes £	Exchange rate movements £	At 31 December 2002 £
Cash at bank and in hand	1,386,261	(1,090,914)	-	2,390	297,737
Finance leases	-	208,661	(924,772)	-	(716,111)
	1,386,261	(882,253)	(924,772)	2,390	(418,374)

**THE SOCIETY OF BRITISH AEROSPACE COMPANIES LIMITED**  
**(A company limited by guarantee)**

**REPORT TO THE DIRECTORS (MEMBERS OF THE COUNCIL)**  
**ON THE ADDITIONAL INFORMATION**

We have examined the additional information set out on pages 23, 24 and 25 in conjunction with our audit of the statutory financial statements set out on pages 6 to 21. This additional information is supplementary to, and prepared using the same accounting policies as the financial statements and should be read in conjunction therewith.

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 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 auditors**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. The directors are also responsible for the preparation of any additional financial information. Our responsibility is to examine that additional information and to report whether in relation to the financial statements taken as a whole it is presented fairly in all material respects.

**Basis of audit 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 circumstances of the company, consistently applied and adequately disclosed and of whether any additional financial information is consistent with the financial statements.

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.

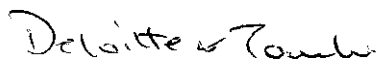
Our opinion on the additional financial information in relation to the statutory financial statements taken as a whole is based on the work done in our audit of the statutory financial statements as described above.

**Fundamental Uncertainty**

In forming our opinion, we have considered the adequacy of the disclosures made in note 9 to the financial statements concerning the assets held at the Farnborough airfield site the lease for which has not yet been signed. In view of the significance of this matter, we consider that it should be brought to your attention. Our opinion is not qualified in this respect.

**Opinion**

In our opinion the additional information in relation to the statutory financial statements taken as a whole is presented fairly in all material respects.



**Deloitte & Touche**

Chartered Accountants and Registered Auditors  
London

12 August 2003



**THE SOCIETY OF BRITISH AEROSPACE COMPANIES LIMITED**  
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**ADDITIONAL INFORMATION**

**INCOME AND EXPENDITURE ACCOUNT**

**EXCLUDING FLYING DISPLAY AND EXHIBITION**  
**Year ended 31 December 2002**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
<b>OPERATING INCOME</b>		
<b>Contributions from members</b>		
Subscription from ordinary and associate members at home and overseas	2,039,690	1,268,046
Management fee from Flying Display	750,000	700,000
Revenue from technical publications and other receipts	19,111	18,098
Sundry (expenses)/income	31,102	49,472
	<u>2,839,903</u>	<u>2,035,616</u>
<b>OPERATING EXPENDITURE</b>		
Staff costs	2,424,418	2,482,396
Administration and establishment charges	1,400,562	915,425
A.E.C.M.A.	456,308	483,182
Overseas exhibitions and promotions	(31,839)	(34,363)
Contributions and subscriptions	40,864	13,276
Depreciation	191,593	177,750
Audit fee	19,050	18,500
	<u>4,500,956</u>	<u>4,056,166</u>
Interest receivable and similar income	252,179	271,420
Profit / (loss) on sales of fixed assets and investments	(27,207)	1,928
	<u>224,972</u>	<u>273,348</u>
<b>EXCESS OF EXPENDITURE OVER INCOME BEFORE TAXATION</b>	<u>(1,436,081)</u>	<u>(1,747,202)</u>

**THE SOCIETY OF BRITISH AEROSPACE COMPANIES LIMITED**  
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**INCOME AND EXPENDITURE ACCOUNT**

**FLYING DISPLAY AND EXHIBITION**

**Year ended 31 December 2002**

	<b>Note</b>	<b>2002</b> <b>£</b>	<b>2001</b> <b>£</b>	<b>2000</b> <b>£</b>
<b>OPERATING INCOME</b>		<u>17,180,302</u>	<u>881</u>	<u>16,783,845</u>
<b>OPERATING EXPENDITURE</b>				
Staff costs		207,943	8,357	599,779
Management fee	1	750,000	700,000	750,000
General organisation expenses		11,729,654	50,429	9,025,335
Site maintenance and development		1,282,506	302,933	2,142,560
Audit fee		14,650	4,900	12,750
Depreciation		<u>80,922</u>	<u>8,702</u>	<u>7,056</u>
		<u>14,065,675</u>	<u>1,075,321</u>	<u>12,537,480</u>
<b>EXCESS OF INCOME OVER EXPENDITURE / (EXPENDITURE OVER INCOME)</b>		<u>3,114,627</u>	<u>(1,074,440)</u>	<u>4,246,365</u>

**Note:**

1. This account comprises a management charge to cover the management and administrative expenses incurred by the Society on behalf of the Flying Display and Exhibition.

As the Farnborough International Airshow is a biennial event, the 2000 figures have been included to aid comparability.

**THE SOCIETY OF BRITISH AEROSPACE COMPANIES LIMITED**  
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**INCOME AND EXPENDITURE ACCOUNT**

**FLYING DISPLAY AND EXHIBITION**

**For biennial event FI02 and FI00**

	<b>Note</b>	<b>2002 and 2001 £</b>	<b>2000 and 1999 £</b>
<b>INCOME FROM ACTIVITIES</b>		<b>17,181,183</b>	<b>16,783,845</b>
<b>EXPENDITURE</b>			
Staff costs		216,300	1,003,811
Management fee	1	1,450,000	1,450,000
General organisation expenses		11,780,083	10,067,346
Site maintenance and development		1,585,439	2,349,757
Audit fee		19,550	17,300
Depreciation		89,624	16,798
		<b>15,140,996</b>	<b>14,905,012</b>
<b>EXCESS OF INCOME OVER EXPENDITURE</b>		<b>2,040,187</b>	<b>1,878,833</b>

**Note:**

1. This account comprises a management charge to cover the management and administrative expenses incurred by the Society on behalf of the Flying Display and Exhibition.