

Company Registration No 3141268 (England and Wales)

**AERO QUALITY SALES LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

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# AERO QUALITY SALES LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	T Jesrai	(Appointed 11 May 2007)
	M Wilson	(Appointed 11 May 2007)

<b>Secretary</b>	G D Swan
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<b>Company number</b>	3141268
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<b>Registered office</b>	8 Airlinks Estate Spitfire Way Heston Middlesex TW5 9NR
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<b>Auditors</b>	Glazers 843 Finchley Road London NW11 8NA
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# AERO QUALITY SALES LIMITED

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# AERO QUALITY SALES LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2007

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The directors present their report and financial statements for the year ended 31 December 2007

#### Principal activities and review of the business

The principal activity of the company continued to be that of the distributor of nickel cadmium batteries, sealed lead acid batteries, emergency batteries and ground support aviation equipment

During the year the company was sold by previous owner Melrose Plc and it is now a wholly owned subsidiary of McKechnie Holdings LLC which itself is majority-owned by JLL Partners, an investment firm registered in the United States. The company operates as part of the group's aerospace aftermarket segment. The company's principal activities are the sale and distribution of batteries for the emergency lighting systems on aircraft to the aerospace industry in the UK, US and Europe. There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

As shown in the company's profit and loss account, the company's sales have increased by 14% over the prior year and the gross margin has increased by 2%.

Competitive pressure in the UK is a continuing risk for the company, which could result in it losing sales to its key competitors. The company mitigates this risk by offering superior technical expertise and services, faster response time in supplying customers with product and answering customer queries, and maintaining strong relationships with both its customers and suppliers.

In addition to transacting its business in GBP, the company buys and sells certain products using USDs and EUROS and it is consequently exposed to the movement in the exchange rates of those currencies.

The directors consider the financial position of the company at the year end to be satisfactory. The company will continue as above.

#### Results and dividends

The results for the year are set out on page 5.

The directors do not recommend payment of an ordinary dividend.

#### Environmental

Aero Quality Sales Limited (AQS) is committed to ensuring that its operations have minimum adverse effect upon the environment and that all employees are aware of their role in safeguarding the future of the environment.

AQS will take due account of the effect of its operations on the environment, manage any potentially significant adverse effects through the business process and at all times operate to the regulatory standards. The company has management controls and procedures in place to ensure optimal use of the world's resources and, where practicable, explore opportunities for reusing or recycling materials. Opportunities for conserving energy are continually reviewed.

#### Directors

The following directors have held office since 1 January 2007

E G Brooks	(Appointed 11 May 2007 and resigned 14 May 2008)
T Jesrai	(Appointed 11 May 2007)
M Wilson	(Appointed 11 May 2007)
G E Barnes	(Resigned 11 May 2007)
G P Martin	(Resigned 11 May 2007)

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# AERO QUALITY SALES LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

S A Peckham

(Resigned 11 May 2007)

### Creditor payment policy

The company's current policy concerning the payment of trade creditors is to

- settle the terms of payment with suppliers when agreeing the terms of each transaction,
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts, and
- pay in accordance with the company's contractual and other legal obligations

On average, trade creditors at the year end represented 52 (2006- 58) days' purchases

### Auditors

Glazers were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting

### Directors' responsibilities

The directors are responsible for preparing 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 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, 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 proper accounting records that 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 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.

### Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

M Wilson

Director

4 November 2007

# **AERO QUALITY SALES LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF AERO QUALITY SALES LIMITED**

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We have audited the financial statements of Aero Quality Sales Limited for the year ended 31 December 2007 set out on pages 5 to 14. 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 the directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

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

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

# AERO QUALITY SALES LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### TO THE SHAREHOLDERS OF AERO QUALITY SALES LIMITED

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#### Opinion

##### In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



Glaziers

4 November 2008

Chartered Accountants  
Registered Auditor

843 Finchley Road  
London  
NW11 8NA

# AERO QUALITY SALES LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £	2006 £
<b>Turnover</b>	<b>2</b>	7,287,887	6,410,375
Cost of sales		(6,205,074)	(5,549,000)
<b>Gross profit</b>		1,082,813	861,375
Distribution costs		(517,086)	(467,005)
Administrative expenses		(300,233)	(605,045)
<b>Operating profit/(loss)</b>	<b>3</b>	265,494	(210,675)
Group company loan written off		(2,517,819)	-
<b>Loss on ordinary activities before interest</b>		(2,252,325)	(210,675)
Other interest receivable and similar income	<b>4</b>	6,400	115,064
Amounts written off investments	<b>5</b>	(126,891)	-
<b>Loss on ordinary activities before taxation</b>		(2,372,816)	(95,611)
Tax on loss on ordinary activities	<b>6</b>	(85,910)	-
<b>Loss for the year</b>	<b>14</b>	(2,458,726)	(95,611)

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account



# AERO QUALITY SALES LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2007

	Notes	2007 £	£	2006 £	£
<b>Fixed assets</b>					
Tangible assets	7		16,418		13,928
<b>Current assets</b>					
Stocks	8	907,815		995,421	
Debtors	9	907,303		3,075,014	
Investments	10	103,109		-	
Cash at bank and in hand		270,671		917,649	
		2,188,898		4,988,084	
<b>Creditors: amounts falling due within one year</b>	11	(1,305,653)		(1,643,623)	
<b>Net current assets</b>			883,245		3,344,461
<b>Total assets less current liabilities</b>			899,663		3,358,389
<b>Capital and reserves</b>					
Called up share capital	13		125,000		125,000
Profit and loss account	14		774,663		3,233,389
<b>Shareholders' funds</b>	15		899,663		3,358,389

Approved by the Board and authorised for issue on 4 November 2008

M Wilson  
Director

# AERO QUALITY SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group

#### 1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

#### 1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts

#### 1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

Plant and machinery	Over 5 years
Computer equipment	Over 3 years
Fixtures, fittings & equipment	Over 5 years

#### 1.5 Leasing

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

#### 1.6 Investments

Current asset investments are stated at the lower of cost and net realisable value

#### 1.7 Stock

Stock is valued at the lower of cost and net realisable value

#### 1.8 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable

#### 1.9 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted

#### 1.10 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account

# AERO QUALITY SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

### 1 Accounting policies (continued)

#### 1 11 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of JLL Partners, an investment firm registered in the United States, and is included in the consolidated accounts of that business.

#### 1 12 Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

### 2 Turnover

#### Geographical market

	Turnover	
	2007	2006
	£	£
Europe	5,539,396	5,266,000
Asia	1,012,056	-
USA	579,710	-
Other	156,725	1,144,375
	<u>7,287,887</u>	<u>6,410,375</u>

All operations and net assets are based in the United Kingdom.

3 Operating profit/(loss)	2007	2006
	£	£
Operating profit/(loss) is stated after charging		
Depreciation of tangible assets	6,474	8,509
Subsidiary company investment write down	126,891	-
Group company loan written off	2,517,819	-
Operating lease rentals	81,610	82,123
Fees payable to the company's auditor for the audit of the company's annual accounts	7,454	7,641
and after crediting		
Profit on disposal of tangible assets	-	(2,400)

# AERO QUALITY SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2007

<b>4</b>	<b>Investment income</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	Bank interest	6,400	115,064
		<u>6,400</u>	<u>115,064</u>
<b>5</b>	<b>Amounts written off investments</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	Amounts written off investments in prior years written back - current assets	126,891	-
		<u>126,891</u>	<u>-</u>
<b>6</b>	<b>Taxation</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	<b>Domestic current year tax</b>		
	U K corporation tax	85,910	-
		<u>85,910</u>	<u>-</u>
	<b>Current tax charge</b>	<u>85,910</u>	<u>-</u>
	<b>Factors affecting the tax charge for the year</b>		
	Loss on ordinary activities before taxation	(2,372,816)	(95,611)
		<u>(2,372,816)</u>	<u>(95,611)</u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2006 - 30.00%)	(711,845)	(28,683)
		<u>(711,845)</u>	<u>(28,683)</u>
	Effects of		
	Non deductible expenses	797,755	5,000
	Tax losses utilised	-	23,683
		<u>797,755</u>	<u>28,683</u>
	<b>Current tax charge</b>	<u>85,910</u>	<u>-</u>

# AERO QUALITY SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

### 7 Tangible fixed assets

	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£
<b>Cost</b>			
At 1 January 2007	87,038	94,522	181,560
Additions	6,735	1,921	8,656
Disposals	(2,183)	(5,225)	(7,408)
At 31 December 2007	91,590	91,218	182,808
<b>Depreciation</b>			
At 1 January 2007	78,461	88,863	167,324
On disposals	(2,183)	(5,225)	(7,408)
Charge for the year	4,866	1,608	6,474
At 31 December 2007	81,144	85,246	166,390
<b>Net book value</b>			
At 31 December 2007	10,446	5,972	16,418
At 31 December 2006	8,269	5,659	13,928

### 8 Stocks

	2007	2006
	£	£
Finished goods and goods for resale	907,815	995,421

### 9 Debtors

	2007	2006
	£	£
Trade debtors	838,483	769,000
Amounts owed by parent and fellow subsidiary undertakings	-	2,162,000
Other debtors	38,001	109,340
Prepayments and accrued income	30,819	34,674
	907,303	3,075,014

# AERO QUALITY SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

<b>10</b>	<b>Current asset investments</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	Investment in subsidiary undertakings	103,109	-
	Directors' valuation of unlisted investments	103,109	-
<b>11</b>	<b>Creditors amounts falling due within one year</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	Trade creditors	882,725	886,000
	Amounts owed to parent and fellow subsidiary undertakings	184,113	593,000
	Corporation tax	85,910	-
	Other taxes and social security costs	11,553	-
	Accruals and deferred income	141,352	164,623
		1,305,653	1,643,623
<b>12</b>	<b>Pension and other post-retirement benefit commitments</b>		
	<b>Defined contribution</b>		
	The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.		
		<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	Contributions payable by the company for the year	50,886	31,855
<b>13</b>	<b>Share capital</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	<b>Authorised</b>		
	125,000 Ordinary shares of £1 each	125,000	125,000
	<b>Allotted, called up and fully paid</b>		
	125,000 Ordinary shares of £1 each	125,000	125,000

# AERO QUALITY SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2007

#### 14 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2007	3,233,389
Loss for the year	(2,458,726)
Balance at 31 December 2007	<u>774,663</u>

#### 15 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Loss for the financial year	(2,458,726)	(95,611)
Opening shareholders' funds	<u>3,358,389</u>	<u>3,454,000</u>
Closing shareholders' funds	<u>899,663</u>	<u>3,358,389</u>

#### 16 Financial commitments

At 31 December 2007 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2008

	Land and buildings		Other	
	2007	2006	2007	2006
	£	£	£	£
Operating leases which expire				
Within one year	62,000	62,000	-	-
Between two and five years	-	-	-	9,000
	<u>62,000</u>	<u>62,000</u>	<u>-</u>	<u>9,000</u>

# AERO QUALITY SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

17 Directors' emoluments	2007 £	2006 £
Emoluments for qualifying services	68,783	-
Company pension contributions to money purchase schemes	8,254	-
	<u>77,037</u>	<u>-</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2006 - 0)

## 18 Employees

### Number of employees

The average monthly number of employees (including directors) during the year was

	2007 Number	2006 Number
Directors	3	3
Staff	9	9
	<u>12</u>	<u>12</u>

Employment costs	2007 £	2006 £
Wages and salaries	459,117	400,613
Social security costs	53,112	55,780
Other pension costs	50,886	31,855
	<u>563,115</u>	<u>488,248</u>

## 19 Control

The immediate parent company is Western Sky Industries LLC, a company registered in the United States, and the ultimate parent company is JLL Partners, an investment firm registered in the United States



# **AERO QUALITY SALES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2007***

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### **20 Related party transactions**

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company