

**FH 1997 Limited**

**Directors' report and financial statements  
for the year ended 30 November 2006**

Registered number 3384710

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## **FH 1997 Limited**

### **Directors' report and financial statements for the year ended 30 November 2006**

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# **FH 1997 Limited**

## **Directors and advisers for the year ended 30 November 2006**

### **Directors**

G W Dore  
R Leduc  
M Anthony  
R Buxton  
P Fowler  
S Page

### **Secretary**

G W Dore

### **Registered office**

Claverham  
Bristol  
BS49 4NF

### **Independent auditors**

PricewaterhouseCoopers LLP  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

### **Principal Bankers**

HSBC Bank PLC  
Poultry and Princes Street Branch  
PO Box 648  
27 – 32 Poultry  
London  
EC2P 2BX

# **FH 1997 Limited**

## **Directors' report for the year ended 30 November 2006**

The directors present their report and the audited financial statements of the company for the year ended 30 November 2006

### **Principal activities**

The principal activity of the company continues to be the design, manufacture and repair of specialism actuation systems, mechanisms and equipment for aerospace, defence and specialised industrial sectors

The directors are satisfied with the financial position of the company and look forward to similar levels of activity in the forthcoming year

### **Business review**

The company performed satisfactorily during the year and experienced growth in activity across all major market sectors. The aerospace sector saw expansion primarily in the helicopter sector where development contracts with customers such as Sikorsky and AgustaWestland drove growth. In the defence sector, various projects with the guided weapons manufacturer, MBDA, expanded our market presence whilst demand for our rail actuation system for the UK rail industry also increased on prior year. Whilst all these customer funded activities increased year-on-year, so too did our investment in the Boeing 787 programme where we are developing valves and actuators for the environmental control system.

The most important measure of the company's performance is defined as being operating profit. In the year to 30 November 2006, operating profit of £6.34m was earned compared to £6.71m in 2005, this number being net of research and development costs of £2.7m in the year versus £1.3m in the prior year. Sales in the year in continuing operations grew by 19.8% to £51.92 million (2005: £43.34 million).

### **Strategy**

The overriding objective of the company is to maximise the growth in operating profit before non-recurring items and goodwill amortisation primarily through organic growth.

The main strategies adopted to develop the operating performance of the company can be summarised as continuing to grow global market share in the various aerospace, defence and rail sectors by targeting specific customer groups and product initiatives, whilst striving for reduced cost of sales through operational innovation, supply chain partnerships and the elimination of non-value adding tasks across all aspects of the business.

### **Future outlook**

The outlook for the company is very good. Long-term growth looks encouraging through participation in major platforms such as the AW139 and S-92 helicopters, the 787 commercial aircraft and the Meteor missile whilst the business continues to look at further opportunities to expand its presence in existing markets, increase product offerings to existing customers and to enter adjacent markets.

**Directors' report  
for the year ended 30 November 2006 (continued)**

**Principal risks and uncertainties**

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks affecting the Company are set out below.

**1 Competition**

The company operates in an extremely competitive environment regarding technical innovation and product pricing. The company seeks to avoid selling on a cost-plus basis and commoditising of products, emphasising the engineering added value of its service offering as a means of overcoming this challenge.

**2 Employees**

The company's performance depends to a significant degree on the highly trained and experienced staff. The resignation of key individuals and the inability to recruit people with appropriate experience and skills from the local community could adversely impact the company's results. To mitigate these issues, the company has introduced a Management Development Programme, a Continuous Improvement Team gathered from across all levels of the business and an on-going Training Structure.

**3 Disaster recovery**

The key operational risk to the overall business is an incident that disrupts or terminates the operational functions. A comprehensive Disaster Recovery Plan is in place to ensure continuity of IT capability at the site as well as plans to minimise impact on output to customers.

**Key Performance Indicators ("KPIs")**

KPI	2006	2005	Definition, Method of Calculation and Analysis
Growth in Sales (%)	19.8	2.0	Year on year sales growth in continuing operations, expressed as a percentage. The increase is as expected, with growth being derived from increased activity across all market sectors.
Gross profit (%)	31.9	35.2	The ratio of gross profit to sales, expressed as a percentage. The contraction was expected and was due to the reduced proportion of higher profit spares and repairs in 2006 as the majority of growth came from development and new build which typically return lower levels of profit.
Stock turn (days)	80.5	124.0	Total stocks divided by cost of sales and multiplied by 365. This improvement followed a reduction in raw materials and work in progress.
Debtor days	55.2	88.0	Trade debtors divided by turnover businesses, multiplied by 365. The improvement reflects further tightening of controls over debt collection and relatively lower sales in the final months of the year.

# **FH 1997 Limited**

## **Directors' report for the year ended 30 November 2006 (continued)**

### **Financial risk management**

The company's operations expose it to a variety of financial risks that include the effects of changes in prices, credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring these risks.

#### Price risk

The company is exposed to commodity price risk as a result of its operations. The company manages its exposure through a combination of short and long term supply agreements.

#### Credit risk

The company has a policy that requires appropriate credit checks on potential customers before sales are made. The financial strength of existing customers is also monitored on a regular basis, and payment terms are kept to a minimum.

#### Liquidity risk

The company works with the ultimate parent company's treasury function to minimise exposure to liquidity risk.

#### Interest rate risk

The company has no interest bearing loans and so does not consider itself exposed to interest rate risk.

### **Results and dividends**

The profit for the year amounted to £6,033,000 (2005 £8,221,000) after taxation. The directors have not recommended the payment of a dividend (2005 £nil).

### **Directors and their interests**

Directors who served during and subsequent to the year end are listed below.

T A Brown	(resigned 30 June 2006)
G W Dore	
R Leduc	
M Anthony	
R Buxton	
P Fowler	
S Page	

The Directors have no notifiable interests in shares and debentures of FH 1997 Limited, or its parent as required to be disclosed by the Companies Act 1985. In addition, the directors have taken advantage of Statutory Instrument No 802 1985 which does not require disclosure of any interests held in United Technologies Corporation Group companies that are incorporated outside of the United Kingdom.

### **Employment of disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who did not suffer a disability.

# **FH 1997 Limited**

## **Directors' report for the year ended 30 November (continued)**

### **Employee consultation**

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business unit and of the company as a whole. Communication with all employees continues through formal and informal meetings.

### **Donations**

The company did not make any charitable donations during the year (2005 £nil). No political donations were made.

### **Research and development**

The directors are committed to maintaining research and development expenditure in order to expand the company's range of products. In the year a total of £9,605,000 (2005 £6,137,000) was spent on engineering development of which £6,910,000 (2005 £4,802,000) was funded by customers and £2,695,000 (2005 £1,335,000) by the company.

### **Policy and practice on payment of creditors**

Trade creditors at the year-end represented 58 days (2005 55 days) of purchases. It is the company's policy in respect of all suppliers to agree payment terms in advance of the supply of goods and to adhere to those payment terms.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

## **FH 1997 Limited**


### **Directors' report for the year ended 30 November (continued)**

#### **Auditors and disclosure of information to auditors**

So far as each director is aware, there is no relevant audit information of which the company's auditors are not aware. Each director has taken all the steps that they ought to have taken as director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

#### **Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.



By order of the Board

Claverham  
Bristol,  
BS49 4NF

GW Dore  
Director  
25<sup>th</sup> September 2007



## Independent auditors' report to the members of FH 1997 Limited

We have audited the financial statements of FH1997 Limited for the year ended 30 November 2006 which comprise the profit and loss account, statement of total recognised gains and losses, balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 November 2006 and of its profit 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.

  
PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Birmingham

29 September 2007

## FH 1997 Limited

### Profit and loss account for the year ended 30 November 2006

		2006	2005
			(As restated)
	Notes	£'000	£ 000
Turnover	2	51,924	43,338
Cost of sales		(35,360)	(28,091)
<b>Gross profit</b>		<b>16,564</b>	<b>15,247</b>
Other operating expenses (including goodwill amortisation of £2,062,000 (2005 £2,069,000))	3	(10,220)	(8,540)
<b>Operating profit</b>	4	<b>6,344</b>	<b>6,707</b>
Interest receivable and similar income	6	661	612
Other finance expense	20	(3)	(19)
<b>Profit on ordinary activities before taxation</b>		<b>7,002</b>	<b>7,300</b>
Tax (charge)/credit on profit on ordinary activities	7	(969)	921
<b>Profit on ordinary activities after taxation</b>		<b>6,033</b>	<b>8,221</b>
<b>Profit for the year</b>	17	<b>6,033</b>	<b>8,221</b>

The result for both years arose entirely from continuing operations

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

## FH 1997 Limited

### Statement of total recognised gains and losses for the year ended 30 November 2006

		2006	2005
			(As restated)
	Notes	£'000	£ 000
Profit for the financial year	17	6,033	8,221
Actuarial gain/(loss) on pension scheme	20	361	(2,603)
Movement on current and deferred tax balances relating to pension schemes	12	(108)	781
<b>Total recognised gains and losses relating to the year</b>		<b>6,286</b>	<b>6,399</b>
Prior year adjustment – FRS 17	17	(5,123)	
<b>Total gains and losses recognised since last annual report</b>		<b>1,163</b>	

# FH 1997 Limited

## Balance sheet as at 30 November 2006

		2006	2005
			(As restated)
	Notes	£'000	£'000
<b>Fixed assets</b>			
Intangible assets	9	26,852	28,914
Tangible assets	10	5,268	5,233
		32,120	34,147
<b>Current assets</b>			
Stocks	11	7,800	9,540
Debtors	12	28,306	25,589
Cash at bank and in hand		16,463	11,816
		52,569	46,945
<b>Creditors: amounts falling due within one year</b>	13	(16,026)	(16,186)
<b>Net current assets</b>		36,543	30,759
<b>Total assets less current liabilities</b>		68,663	64,906
<b>Creditors: amounts falling due after more than one year</b>	14	(49,438)	(49,497)
<b>Provisions for liabilities and charges</b>	15	(45)	(70)
<b>Net assets excluding pension liability</b>		19,180	15,339
Pension liability	20	(2,678)	(5,123)
<b>Net assets including pensions liability</b>		16,502	10,216
<b>Capital and reserves</b>			
Called up equity share capital	16	-	-
Profit and loss reserve	17	16,502	10,216
<b>Total shareholders' funds</b>	18	16,502	10,216

The financial statements on pages 8 to 29 were approved by the board of directors on 25 September 2007 and were signed on its behalf by



GW Dore  
Director

# **FH 1997 Limited**

## **Notes to the financial statements for the year ended 30 November 2006**

### **1 Accounting policies**

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom

A summary of the principal accounting policies are set out below

#### **Changes in accounting policies**

The company has adopted FRS 17 "Retirement benefits" in these financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly

The effect of the change in accounting policy to adopt FRS 17 was to increase staff costs by £127,000 (2005 £124,000), to increase other finance expense by £3,000 (2005 £19,000) and increase the deferred tax charge by £940,000 (2005 credit £43,000). The impact therefore has been to reduce profit for the year by £1,070,000 (2005 £100,000) and to increase the total recognised gains and losses by £253,000 (2005 reduction of £1,822,000)

#### **Cash flow**

As the Company is a wholly owned subsidiary of United Technologies Holdings Limited, it is exempt under the terms of Financial Reporting Standard No 1 (Revised) from publishing a cash flow statement

#### **Turnover**

Turnover comprises the value of sales (excluding VAT and similar taxes, trade discounts) in the normal course of business. Turnover applicable to long term contracts represents the value of work completed during the year

#### **Goodwill**

Goodwill arising on the acquisition of subsidiary undertakings and business, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised on a straight-line basis over its economic life of twenty years. Provision is made for any impairment

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost, net of depreciation and provision for any impairment in value. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each on a straight-line basis over its expected useful life, as follows

Freehold building	Over the estimated residual life of the building
Plant, machinery and other equipment	12½ - 20% per annum
Motor vehicles	25%
Tooling and computer software and hardware	20% - 33⅓% per annum

**Notes to the financial statements  
for the year ended 30 November 2006 (continued)**

**1 Accounting policies (continued)**

**Stocks and work-in-progress**

Stocks and work-in-progress are valued at the lower of cost and estimated net realisable value. Cost includes materials, direct labour and an attributable portion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving and defective items where appropriate.

**Long term contracts**

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and any anticipated future losses on contracts and payments on account, are included as long term contract balances in stock. Profit is taken on long term contracts by reference to an assessment of the projected financial outcome of each contract and the proportion of work completed by the balance sheet date.

**Foreign currency**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at mid-market rates of exchange at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

**Taxation**

During the year, the company has adopted the UK wide United Technologies Corporation ("UTC") policy for accounting for the group relief of tax losses. In respect of 2006 profits, no tax provision will be booked in the statutory financial statements of profitable companies on the assumption that group relief will be available. Also, no asset will be booked in the company surrendering the tax loss. If sufficient tax losses are not available to cover the taxable profits, a net tax charge will be accounted for within one of the profitable UK UTC holding companies. In respect of tax provisions held for previous periods, these will be allowed to unwind over the next 3 years as the group relief is finalised.

Deferred taxation is accounted for to recognise timing differences between the recognition of gains and losses in the financial statements and their recognition for taxation purposes, in accordance with FRS 19 "Deferred Taxation". A deferred tax liability is recognised if transactions or events result in the company having an obligation to pay more tax in future periods. A deferred tax asset is only recognised where transactions or events that have occurred before the balance sheet date give the company the right to pay less tax in future, and it is considered to be more likely than not that the asset will be recovered. Deferred tax balances are not discounted.

**Leases**

Operating lease rentals are charged to the profit and loss account as incurred.

**Research and development**

Research and development expenditure is written off as it is incurred.

# FH 1997 Limited

## Notes to the financial statements for the year ended 30 November 2006 (continued)

### 1 Accounting policies (continued)

#### Pension costs

The company operates both a defined benefit scheme and a defined contribution scheme and pension costs are accounted for in accordance with FRS 17 "Retirement Benefits"

For the defined benefit scheme the financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding. The operating costs of providing retirement benefits to employees are recognised in the accounting periods in which the benefits are earned by the employees, and the related finance costs and any other changes in value of the assets and liabilities are recognised in the accounting periods in which they arise.

For the defined contribution scheme the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### 2 Turnover

Geographical analysis of turnover by destination

	2006	2005
	£'000	£'000
United Kingdom	28,742	23,092
Continental Europe	13,957	11,316
The Americas	7,334	5,868
Asia	1,852	2,766
Other	39	296
	51,924	43,338

# FH 1997 Limited

## Notes to the financial statements for the year ended 30 November 2006 (continued)

### 3 Other operating expenses

	2006	2005
		(As restated)
	£'000	£'000
Sales and administration costs	7,738	6,116
Distribution expenses	420	355
Amortisation of goodwill (note 9)	2,062	2,069
	10,220	8,540

### 4 Operating profit

Operating profit is stated after charging	2006	2005
	£'000	£'000
Depreciation of tangible fixed assets (note 10)	855	858
Amortisation of goodwill (note 9)	2,062	2,069
Operating lease rentals		
- plant and machinery	127	102
- other	118	136
Research and development		
- gross expenditure	9,605	6,137
- net expenditure after funding from customers	2,695	1,335
Auditors' remuneration		
- audit services	50	50
- non audit services	-	-



## **FH 1997 Limited**

### **Notes to the financial statements for the year ended 30 November 2006 (continued)**

#### **5 Employee information**

The average monthly number of employees (including executive directors) were as follows

	2006	2005
	Number	Number
Production and distribution	217	202
Other	66	62
	283	264

Their aggregate remuneration comprised

	2006	2005
		(As restated)
	£'000	£'000
Wages and salaries	10,928	9,864
Social security costs	1,127	1,016
Pension costs		
- defined benefit plan	710	520
- defined contribution plan	304	230
	13,069	11,630

#### **6 Interest receivable and similar income**

	2006	2005
	£'000	£'000
Bank interest receivable	661	612

# FH 1997 Limited

## Notes to the financial statements for the year ended 30 November 2006 (continued)

### 7 Tax charge / (credit) on profit on ordinary activities

#### (a) Analysis of charge / (credit) in the year

	2006	2005
		(As restated)
	£'000	£'000
<b>Current tax:</b>		
Current tax on income for the year at 30% (2005 30%)	-	2,824
Adjustments in respect of prior years	-	(3,732)
Total current tax (note 7 (b))	-	(908)
<b>Deferred taxation :</b>		
Origination and reversal of timing differences	29	30
Pension cost relief in excess of pension charge	940	(43)
Total deferred tax	969	(13)
<b>Tax charge / (credit) on profit on ordinary activities</b>	<b>969</b>	<b>(921)</b>

**Notes to the financial statements  
for the year ended 30 November 2006 (continued)**

**7 Tax on profit on ordinary activities (continued)**

**(b) Factors affecting the taxation charge for the year**

The tax assessed for the year is lower (2005 lower) than the standard rate of corporation tax in the UK (30%)  
The factors affecting the charge are outlined below

	2006	2005 (As restated)
	£'000	£'000
<b>Profit on ordinary activities before taxation</b>	<b>7,002</b>	<b>7,300</b>
Profit on ordinary activities multiplied by the standard rate of corporation taxation in the UK of 30% (2005 30%)	<b>2,101</b>	2,190
Effects of		
Expenses not deductible for taxation purposes	<b>(1,132)</b>	621
Capital allowances in excess of depreciation for the year	<b>(29)</b>	(30)
Pension contribution relief in excess of net pension cost charge	<b>(940)</b>	43
Adjustments to taxation charge in respect of previous year	-	(3,732)
<b>Current taxation charge / (credit) for the year</b>	<b>-</b>	<b>(908)</b>

Subsequent to the year end there has been a change to the standard rate of corporation taxation reducing this from 30% to 28% which will take effect in 2008, this change could result in a change in the deferred taxation balances

## **FH 1997 Limited**

### **Notes to the financial statements for the year ended 30 November 2006 (continued)**

#### **8 Directors' emoluments**

##### **a) Remuneration**

The remuneration of the directors was as follows

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Directors emoluments	<b>676</b>	<b>674</b>
Compensation for loss of office	<b>119</b>	<b>-</b>
	<b>795</b>	<b>674</b>

##### **b) Pensions**

The number of directors who were members of pension schemes, and to whom retirement benefits are accruing, was as follows

	<b>2006</b>	<b>2005</b>
	<b>Number</b>	<b>Number</b>
Defined benefit schemes	<b>6</b>	<b>6</b>

##### **c) Highest paid director**

The above amounts of remuneration include the following in respect of the highest paid director

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Emoluments	<b>156</b>	<b>148</b>
Defined benefit pension scheme		
- Accrued pension at year end	<b>15</b>	<b>13</b>

No director has, either directly or indirectly, any material interest in contracts (other than contracts of service) with the company at any time during the year or at the end of the year

## **FH 1997 Limited**

### **Notes to the financial statements for the year ended 30 November 2006 (continued)**

#### **9 Intangible assets**

	<b>Goodwill</b>
	<b>£'000</b>
<b>Cost</b>	
At 1 December 2005 and at 30 November 2006	<b>41,230</b>
<b>Amortisation</b>	
At 1 December 2005	12,316
Charged for the year	2,062
<b>At 30 November 2006</b>	<b>14,378</b>
<b>Net book value</b>	
<b>At 30 November 2006</b>	<b>26,852</b>
At 30 November 2005	28 914

## FH 1997 Limited

### Notes to the financial statements for the year ended 30 November 2006 (continued)

#### 10 Tangible assets

	Freehold land and buildings	Plant, machinery and other equipment	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 December 2005	4,242	14,274	18,516
Additions	4	886	890
<b>At 30 November 2006</b>	<b>4,246</b>	<b>15,160</b>	<b>19,406</b>
<b>Accumulated depreciation</b>			
At 1 December 2005	1,856	11,427	13,283
Charge for the year	93	762	855
<b>At 30 November 2006</b>	<b>1,949</b>	<b>12,189</b>	<b>14,138</b>
<b>Net book value</b>			
<b>At 30 November 2006</b>	<b>2,297</b>	<b>2,971</b>	<b>5,268</b>
At 30 November 2005	2,386	2,847	5,233

# FH 1997 Limited

## Notes to the financial statements for the year ended 30 November 2006 (continued)

### 11 Stocks

	2006	2005
	£'000	£'000
Work in progress	5,792	6,529
Less payments on account	(1,662)	(1,228)
	4,130	5,301
Raw materials	3,615	4,129
Finished goods	55	110
	7,800	9,540

### 12 Debtors

	2006	2005
	£'000	£'000
Trade debtors	7,847	10,452
Amounts owed by other group undertakings	4,206	2,677
Deferred tax asset	169	198
Other debtors	6,751	5,268
Prepayments and accrued income	9,333	6,994
	28,306	25,589

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment

The movement on deferred taxation is as follows

	£'000
At 1 December 2005	198
Profit and loss account (note 7 (a))	(29)
At 30 November 2006	169

# FH 1997 Limited

## Notes to the financial statements for the year ended 30 November 2006 (continued)

### 12 Debtors (continued)

Deferred taxation derives from

	2006	2005
	£'000	£'000
Accelerated capital allowances	169	198

The deferred tax asset relating to the pension deficit is analysed below

	2006	2005
	£'000	£'000
At 1 December	2,196	1,372
Deferred tax charged to the profit and loss account (note 7)	(940)	43
Deferred tax charged to the statement of total recognised gains and losses	(108)	781
At 30 November	1,148	2,196

The deferred tax asset of £1,148,000 (2005 £2,196,000) has been deducted in arriving at the net pension deficit on the balance sheet

### 13 Creditors: amounts falling due within one year

	2006	2005
	£'000	£'000
Payments on account	1,073	2,378
Trade creditors	8,392	7,314
Amounts owed to other group undertakings	717	675
UK corporation tax	5,193	5,193
Other taxation and social security	470	483
Other creditors	54	-
Accruals and deferred income	127	143
	16,026	16,186



## **FH 1997 Limited**

### **Notes to the financial statements for the year ended 30 November 2006 (continued)**

#### **14 Creditors: amounts falling due after more than one year**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Amount owed to group undertakings	<b>49,438</b>	49,497

Amounts due to group undertakings are unsecured and interest free

#### **15 Provisions for liabilities and charges**

	<b>Warranty</b>
	<b>£'000</b>
At 1 December 2005	70
Charged to profit and loss account	138
Utilised during year	(163)
<b>At 30 November 2006</b>	<b>45</b>

A warranty is offered on a number of new build and repair and overhaul works. The provision represents the expected future costs in relation to this. It is expected that this will be largely utilised within one year and is not discounted.

#### **16 Called-up share capital**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Authorised, allotted, called-up and fully paid</b>		
2 ordinary shares of £1 each	<b>2</b>	2

# FH 1997 Limited

## Notes to the financial statements for the year ended 30 November 2006 (continued)

### 17 Profit and loss reserve

	Profit and loss reserve
	£'000
At 1 December 2005 as previously reported	15,339
Prior year adjustment – FRS 17	(5,123)
At 1 December 2005 as restated	10,216
Retained profit for the financial year	6,033
Actuarial gain on pension scheme	361
Movement on deferred tax relating to the pension scheme	(108)
<b>At 30 November 2006</b>	<b>16,502</b>
Pension liability	2,678
Profit and loss reserve excluding pension liability	19,180

### 18 Reconciliation of movements in shareholders' funds

	2006	2005
		(As restated)
	£'000	£'000
Profit for the financial year	6,033	8,221
Actuarial gain/(loss) on pension scheme	361	(2,603)
Movement on deferred tax relating to the pension scheme	(108)	781
Net addition to shareholders' funds	6,286	6,399
Opening shareholders' funds as previously reported	15,339	7,018
Prior year adjustment – FRS 17	(5,123)	(3,201)
Opening shareholders' funds as restated	10,216	3,817
<b>Closing shareholders' funds</b>	<b>16,502</b>	<b>10,216</b>

**Notes to the financial statements  
for the year ended 30 November 2006 (continued)**

**19 Financial commitments**

Annual commitments under non-cancellable operating leases are as follows

	2006		2005	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Expiry date				
- within one year	-	91	-	37
- between two and five years	39	337	-	142
	39	428	-	179

There were no capital commitments as at 30 November 2006 (2005 £nil)

**20 Pension arrangements**

Employees of the group are eligible to join the Claverham Pension Scheme which was established on 1 August 1998. The Claverham Pension Scheme contains both defined benefit and defined contribution sections. The former was established to provide benefits to employees who were previously members of the defined section of the Fairey Group plc pension scheme.

The contributions to the defined benefit section are determined by a qualified actuary on the basis of triennial valuations using the "attained age" method. The most recent valuation was at 31 December 2004. The assumptions that have the most significant effect on the results of the valuation are those relating to investment returns and the rate of increase in salaries. The actuary assumed that the investment returns would be 2% per annum higher than salary increases.

The actuarial valuation as at 31 December 2004 showed that the market value of the scheme's assets attributable to the defined benefit section was £13,340,000 and that the actuarial value of those assets represents 69% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The pension cost for the year was £1,014,000 (2005 £750,000) of which £304,000 (2005 £230,000) related to the regular cost of defined contribution schemes and the balance to a defined benefit scheme. Contribution balances repaid or payable at the year-end are shown in the balance sheet under prepayments or accruals as appropriate. Pension contributions have been made in accordance with actuarial advice.

# FH 1997 Limited

## Notes to the financial statements for the year ended 30 November 2006 (continued)

### 20 Pension arrangements (continued)

#### Financial Reporting Standard 17 information

The pension liability detailed below is calculations of the scheme's liabilities at 31 December 2006 and adjusted to 30 November 2006 by a qualified actuary using the following assumptions

Financial assumptions	2006	2005	2004	2003
Salary increases	4.50%	4.25%	4.25%	4.25%
Pension increases	3.00%	2.75%	2.75%	2.75%
Discount rate	5.10%	5.00%	5.50%	5.75%
RPI	3.00%	2.75%	2.75%	2.75%

	2006		2005		2004		2003	
	%	£'000	%	£'000	%	£'000	%	£'000
<b>The assets of the Scheme and expected return on assets were:</b>								
Equities	7.00%	18,570	7.00%	14,772	7.50%	11,686	7.50%	10,160
Bonds	5.00%	1,433	5.00%	1,132	5.50%	1,027	5.50%	750
Cash	5.00%	2,439	4.50%	250	4.75%	265	3.75%	190
Total assets at market value		22,442		16,154		12,978		11,100
Actuarial liabilities		(26,268)		(23,473)		(17,551)		(15,540)
Deficit		(3,826)		(7,319)		(4,573)		(4,440)
Related deferred tax asset		1,148		2,196		1,372		1,332
<b>Net pension liability</b>		<b>(2,678)</b>		<b>(5,123)</b>		<b>(3,201)</b>		<b>(3,108)</b>

# FH 1997 Limited

## Notes to the financial statements for the year ended 30 November 2006 (continued)

### 20 Pension arrangements (continued)

#### Amount charged to operating profit:

	2006	2005
	£'000	£'000
Current service cost	710	520
<b>Total operating charge</b>	<b>710</b>	<b>520</b>

#### Amount charged to other finance expense:

	2006	2005
	£'000	£'000
Expected return on pension scheme assets	1,187	961
Interest on pension scheme liabilities	(1,190)	(980)
<b>Net return</b>	<b>(3)</b>	<b>(19)</b>

#### Analysis of amount recognised in statement of total recognised gains and losses

	2006	2005
	£'000	£'000
Actual return less expected return on pension scheme assets	1,304	1,805
Experience gains and losses arising on scheme liabilities	(1)	(79)
Changes in assumption underlying the present value of the scheme liabilities	(942)	(4,329)
<b>Actuarial gain / (loss) recognised in the STRGL</b>	<b>361</b>	<b>(2,603)</b>

# FH 1997 Limited

## Notes to the financial statements for the year ended 30 November 2006 (continued)

### 20 Pension arrangements (continued)

#### Movement in deficit during the year:

	2006	2005
	£'000	£'000
Deficit in the scheme at the start of the year	(7,319)	(4,573)
Movement in the year		
Current service cost	(710)	(520)
Contributions	3,845	396
Other finance expenditure	(3)	(19)
Actuarial gain/(loss)	361	(2,603)
<b>Deficit in the scheme at the end of the year</b>	<b>(3,826)</b>	<b>(7,319)</b>

#### History of experience gains and losses:

	2006	2005	2004	2003
	£'000	£'000	£'000	£'000
Difference between expected and actual returns on scheme assets				
- Amount	1,304	1,805	739	458
- Percentage of assets at the year end	6%	11%	6%	4%
Experience gains on scheme liabilities				
- Amount	(1)	(79)	1,376	4
- Percentage of assets at the year end	0%	0%	8%	0%
Total gain / (loss) recognised in Statement of total recognised gains and losses				
- Amount	361	(2,603)	(27)	(390)
- Percentage of assets at the year end	2%	(16%)	(0%)	(3%)

## **FH 1997 Limited**

### **Notes to the financial statements for the year ended 30 November 2006 (continued)**

#### **21 Ultimate parent company**

The immediate parent company is Claverham Limited, which is incorporated in Great Britain and registered in England and Wales

The company's ultimate parent company, and controlling party is United Technologies Corporation, a company incorporated in Delaware, the United States of America, a copy of United Technologies Corporation's accounts can be obtained from 1 Financial Plaza, Hartford, Connecticut, 06101, USA

#### **22 Related parties**

The company is not required to disclose transactions with other group companies under the exemption provided by Financial Reporting Standard No 8. Other than transactions with group companies, there were no transactions requiring disclosure in the year