

Part II

Background and evidence

3 The companies involved in the proposed merger

Contents

	<i>Page</i>
Introduction.....	27
Events leading up to the merger in contemplation	28
BIA	28
History and development	28
Current activities	28
Airport ownership and management	28
Operational activities	29
Financial summary	29
Bombardier	31
History and development	31
Current activities	31
Financial summary	32
Shorts	32
History and development	32
Current activities	33
Manufacturing and service	33
BCA	33
Financial summary	33
BCA	34
History and development	34
Current activities	34
Airport ownership and management	34
Operational activities	35
Financial summary	35

Introduction

3.1. This chapter describes the companies involved in the proposed merger, their businesses and financial performance. The International Airport (described in detail in Appendix 3.1) is owned and operated by BIA, a wholly-owned subsidiary of BIAHL, a management buy-out vehicle which was the successful bidder for BIA at the time of privatization in July 1994. The City Airport (described in detail in Appendix 3.2) is owned and operated by BCA, a wholly-owned subsidiary of Shorts which in turn is wholly owned by Bombardier, a company incorporated in Canada.

3.2. For convenience, BIA is sometimes used generally to refer to the BIAHL group, ie BIAHL and its subsidiaries, and BIAHL is used only where a distinction between the companies is necessary.

Events leading up to the merger in contemplation

3.3. BIAHL's interest in acquiring BCA dates back to at least July 1994 when the possibility was listed in its buy-out business plan. In October 1994 BIA heard that Bombardier might be interested in disposing of the City Airport whereupon it indicated to Shorts its interest in bidding.

3.4. In March 1995 Sarcon submitted a bid for BCA together with the adjacent Sydenham site in the sum of £24 million, subject to due diligence and contract. Memorandum heads of agreement were signed and the arrangement made public. Sarcon is a local company with interests primarily in property and property development. On 2 May 1995 BIA wrote to Shorts offering to buy BCA and the Sydenham site at a price in the range £25 million to £27 million, subject to due diligence. BIA told us that it had no access to detailed information regarding the City Airport operation or the value of the Sydenham site (which was leased from the BHC) and that it pitched its conditional bid at a level above that of Sarcon purely as a negotiating tactic. BIA also told us that it regarded itself as being able to offer the best price for BCA because of synergistic benefits notwithstanding that it would be obliged to pay £5 million to the Government in consequence. (This obligation was incorporated within the buy-out contract whereby BIAHL acquired BIA in July 1994.)

3.5. Shorts was unable to negotiate with BIA because of its agreement with Sarcon. However, following due diligence, Sarcon withdrew in June 1995. Sarcon informed us that a material element in its decision to withdraw was the indication of the approach of the head landlord, BHC, to the disposal of the airport property by Shorts, and uncertainty regarding the adequacy of access to an enlarged airport complex. BIA reiterated its offer, but Shorts told BIA and other interested purchasers that it had decided to appoint advisers BZW to handle the disposal of BCA and the Sydenham site.

3.6. Shorts told us that the mechanism of any sale of BCA would include the surrender of its lease over the airport land to the BHC, who would grant a new lease to the purchaser. A condition of this lease would be that Shorts would retain access to the runway, which would revert to Shorts in the event that commercial airport operations ceased for any reason and that the BHC could find no alternative operator for the airport.

BIA

3.7. Paragraphs 3.8 to 3.23 contain a summary of the history and current activities at the International Airport. Further details are given at Appendix 3.1.

History and development

3.8. The International Airport began as a grass airstrip for the Royal Flying Corps in 1918 and remained almost exclusively in military use until 1963, when it was opened under the Department of Trade as Northern Ireland's principal civilian airport with a new terminal building and apron. In 1971 the airport's operations were transferred to NIAL, a subsidiary of Northern Ireland Transport Holding Company which was established by the DoE(NI). That arrangement continued until privatization in 1994. During this period the airport was managed on an autonomous basis and substantial improvements and expansion to the facilities were carried out, including replacement of the terminal building.

Current activities

Airport ownership and management

3.9. On 20 July 1994 NIAL was privatized. Its assets and liabilities were transferred to BIA, which was also granted a 999-year lease over the airport estate. BIA was then acquired by BIAHL, the successful privatization bidder, for a cash consideration of £32.75 million (including fees and costs of £1.0 million).

3.10. BIAHL is a management and employee buy-out vehicle in which management and employees hold 50 per cent of the shares, with the balance held by financial institutions. A 'special share' is held by the Government and relates primarily to ensuring the maintenance of military facilities at the airport. Payments are due to the Government in the event that the International and City Airports come under common

ownership (£5 million), or in the event that any part of the International Airport estate is developed for non-aviation purposes within ten years (up to 50 per cent of development profits).

3.11. The Board of BIAHL consists of three executive directors, who comprise the core management team, a special director appointed by the institutions and a non-executive Chairman. There are two classes of share capital structured so as to give the institutions certain safeguards over matters such as abnormal capital expenditure, failure to meet targets and departures from the ordinary course of business.

3.12. Day-to-day management is exercised by the BIA Board which consists of the three executive directors of BIAHL and two directors responsible for security and personnel. On 1 November 1995 there were 256 employees, some two-thirds of whom were shareholders. Four trade unions are recognized representing some 64 per cent of the employees. An organization chart is reproduced at Appendix 3.3.

Operational activities

3.13. The International Airport has two runways with parallel taxiways, all-weather landing equipment (Category IIIB),¹ cargo facilities, substantial international (mostly charter) traffic and 24-hour operation. There are no practical limitations as to the size of civil aircraft which can be accommodated. In the year ended 31 December 1994 passenger throughput was 2.0 million and the total number of ATMs was approximately 38,000 including freight and mail traffic handled through a separate cargo terminal. The passenger terminal has an annual capacity of approximately 3.5 million passengers. There were about 36,000 other air movements, of which military air movements accounted for some 45 per cent of total air movements, but as the aircraft were mostly small, they generated only about 4 per cent of revenues.

3.14. In addition to the essential services required for domestic flights, there are an international terminal with permanent customs facilities, a duty-free shop, duty-paid shops, and aircraft engineering services available through BM and BA. There is also a 108-room hotel on the site. Services contracted out to concessionaires include ATC, aircraft handling and ramp services, refuelling, shops, catering, passenger and baggage searching and cleaning.

3.15. The charging structure at the International Airport for passenger aircraft is based on a charge related to maximum take-off tonnage and a PLS. The PLS accounted for 43 per cent of total revenue in 1995, while aircraft operational income accounted for 73 per cent of total revenue.

Financial summary

3.16. The financial performance and balance sheets of the owners of the International Airport are summarized in Table 3.1. As referred to in paragraph 3.9, the airport was privatized in 1994 and for accounting purposes its ultimate ownership by BIAHL became effective from 1 April that year. Table 3.1 therefore shows figures relating to two different owners.

¹Category IIIB is the highest level of automation under the CAA's categorization system.

TABLE 3.1 The International Airport: financial summary (years ended 31 March)

	NIAL				BIAHL	
	1991	1992	1993	1994	1995	B1996*
£'000						
<i>Profit and loss summary</i>						
Turnover	<u>20,855</u>	<u>21,011</u>	<u>23,023</u>	<u>22,612</u>	<u>22,803</u>	[
Operating profit	3,316	2,620	4,480	4,980	5,262	
Exceptional items	<u>0</u>	<u>0</u>	<u>(2,361)</u>	<u>(750)</u>	<u>(1,475)</u>	
Profit before interest	3,316	2,620	2,119	4,230	3,787	
Net interest receivable/(payable)	<u>790</u>	<u>830</u>	<u>838</u>	<u>738</u>	<u>(1,701)</u>	
Published profit before tax	4,106	3,450	2,957	4,968	2,086	
Pro forma goodwill amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(850)</u>	
Profits before tax	4,106	3,450	2,957	4,968	1,236	
Tax	<u>(1,375)</u>	<u>(1,151)</u>	<u>(446)</u>	<u>(1,530)</u>	<u>(618)</u>	
Profit after tax	<u>2,731</u>	<u>2,299</u>	<u>2,511</u>	<u>3,438</u>	<u>618</u>	
Average shareholders' funds	21,941	25,977	30,143	33,358	17,281	
Post-tax profits as % of average shareholders' funds	12.4	8.9	8.3	10.3	3.6	†
Interest cover (times)	N/A	N/A	N/A	N/A	2.2	
<i>Balance sheet summary</i>						
Fixed assets	41,290	43,259	40,852	41,511	40,716	
Net current assets excluding cash, borrowings, tax and dividends	<u>645</u>	<u>972</u>	<u>1,756</u>	<u>2,721</u>	<u>6</u>	
Net assets used in the business	41,935	44,231	42,608	44,232	40,722	
Cash less borrowings	6,065	6,796	9,453	12,952	(15,862)	
Deferred income and provisions	<u>(24,693)</u>	<u>(22,380)</u>	<u>(20,422)</u>	<u>(22,107)</u>	<u>(23,185)</u>	
Net tangible assets	23,307	28,647	31,639	35,077	1,675	
Goodwill	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,905</u>	
Net assets	<u>23,307</u>	<u>28,647</u>	<u>31,639</u>	<u>35,077</u>	<u>17,580</u>	
Share capital and reserves	3,850	4,000	4,000	4,000	16,981	
Profit and loss account	<u>19,457</u>	<u>24,647</u>	<u>27,639</u>	<u>31,077</u>	<u>599</u>	
	<u>23,307</u>	<u>28,647</u>	<u>31,639</u>	<u>35,077</u>	<u>17,580</u>]

Source: BIA/MMC analysis.

*Budget.

Note: See paragraph 3.17 *et seq* for explanations and comment.

3.17. Shareholders' funds prior to privatization included cash which had accumulated to £15 million in 1994. This was removed on privatization. The buy-out vehicle, BIAHL, was structured with £0.6 million equity share capital and £34.9 million of debt. The debt consisted of £19.5 million of senior debt provided by [†] and £15.4 million deep discount loan stock (the loan stock) subscribed for by [*Details omitted. See note on page iv.*]; the other 50 per cent of the equity was subscribed for by the three executive directors of BIAHL. [†] has since reduced its equity stake to 30.9 per cent by syndicating 19.1 per cent to six other institutions, and the three directors have transferred half of their 50 per cent to other directors, senior managers and employees. [†] has also sold 39.2 per cent of the loan stock to institutions, leaving it with 61.8 per cent.

3.18. The price paid by BIAHL for BIA was £32.75 million, including £16.7 million for goodwill which was immediately written off resulting in negative equity. In our analysis, we have adopted [†] approach in treating the loan stock as equity and have written back the goodwill which we have then shown as being amortized through the profit and loss account over 19 years at £0.85 million annually. The effect is that returns on shareholders' funds calculations are based on the total amount subscribed by the shareholders to acquire the business plus retained profits, regardless of how that investment was structured.

3.19. The loan stock increases to £18.4 million as interest rolls up until July 1996, and repayment by instalments over six years is due to begin in December 1999. The first repayment of the £19.5 million senior debt was £0.5 million due in October 1995. [*Details omitted. See note on page iv.*]

3.20. Substantial government and EC funding has been received over many years to fund capital expenditure: during the five years ended 31 March 1995, European Regional Development Fund (ERDF) grants of £10.7 million were received towards capital expenditure of £19.0 million. BIA does not deduct grants from asset cost, but includes them in its balance sheet as deferred income for release to profit and loss account during the lives of the relevant assets. The deferred income balance at 31 March 1995 was £19.9 million.

3.21. The exceptional item in 1993 was reorganization and redundancy costs. The exceptional item in 1994 was the writing down to £1 of the 50 per cent investment in Aldergrove Airport Hotel Company Limited, which owns the airport hotel. That company had made substantial losses. The hotel opened in 1993 and BIA told us that prior to 1995 the hotel was managed by Novotel (UK) Ltd, which had since been replaced by a local individual, and in recent months the hotel had often been full. The exceptional item of £1.475 million in 1995 was the writing off of the expenses of acquisition of BIA.

3.22. BIA told us that it had not yet decided how the proposed acquisition of BCA would be funded; however, it had received an indication in principle from its provider of senior debt, [*], that it was prepared to replace the existing facility with a new facility of up to £[*] million (which would be sufficient to provide up to £[*] million towards the acquisition). Expressions of interest in providing facilities had been received from other banks, and these were under investigation. BIA also told us that its equity backers, led by [*], were in favour of the transaction. [*] wrote to us confirming that it would be pleased to see both airports under BIA management.

3.23. Further financial information on BIA is contained in Appendices 3.4, 3.5 and 3.6. BIA told us that the current year's turnover and profits to August were ahead of those of the previous year.

Bombardier

History and development

3.24. Bombardier is the ultimate holding company for the Bombardier group; it was founded in the 1940s in Valcourt, Quebec, by J Armand Bombardier, and his family still maintains voting control. Certain classes of its share capital are listed on stock exchanges in Toronto and Montreal, Brussels and Antwerp. Armand Bombardier's original product was a large snowmobile which he built in his garage. Later the company developed a smaller size snowmobile which has been mass-produced at Valcourt since 1959; in the 1970s the group diversified into rail passenger transport equipment and in 1986 entered the aerospace industry with the acquisition of Canadair, then a manufacturer of business jets. Shorts was acquired by Bombardier from the UK Government in October 1989.

3.25. Other recent acquisitions include Learjet Inc in the USA and Procor Engineering Ltd in the UK (now Bombardier Prorail), both in 1990; in 1992 Bombardier acquired 51 per cent of Boeing's de Havilland division, and also the Canadian transportation equipment assets of UTDC Inc, both based in Ontario.

3.26. The group is based in Montreal and now has production facilities in nine countries including Canada. In 1995 it had 37,000 employees world-wide.

Current activities

3.27. Bombardier is organized into four divisions: Transportation Equipment, Aerospace and Defence, Motorized Consumer Products, and Financial and Real Estate Services.

3.28. Transportation Equipment mainly involves passenger rail vehicles, their parts and sub-structures. Products range from light railcars and tram-type vehicles up to Channel Tunnel shuttle cars (for road vehicles) and TGV (French high speed train) coaches. Bombardier supplied the rolling stock for the Docklands Light Railway in the UK, where its subsidiary Bombardier Prorail Ltd manufactures body structures for locomotives and wagons.

*Details omitted. See note on page iv.

3.29. In Aerospace, Bombardier manufactures the Canadair 50-seat commuter jet range, the Dash-8 de Havilland turboprop aircraft, and Learjet and Challenger business jets. Its new Global Express long-range business jet was launched in October 1995. Components supplied to other manufacturers include engine nacelles and aero structures. There is also a missile business involving Shorts and Thomson-CSF in France (see paragraph 3.37).

3.30. The Motorized Consumer Products Division includes the Ski-Doo and Lynx ranges of snowmobiles, piste maintenance vehicles, and the Sea-Doo watercraft range; while Financial and Real Estate Services includes asset and dealer inventory financing, and dealing with the group's real estate assets.

Financial summary

3.31. Bombardier's financial performance is summarized in Table 3.2.

TABLE 3.2 **Bombardier: financial summary**

	<i>£ million</i>									
	<i>Years ended 31 January</i>									
	1991		1992		1993		1994		1995	
	<i>Turn-over</i>	<i>Profit</i>	<i>Turn-over</i>	<i>Profit</i>	<i>Turn-over</i>	<i>Profit</i>	<i>Turn-over</i>	<i>Profit</i>	<i>Turn-over</i>	<i>Profit</i>
Transportation Equipment	326	9	339	1	578	(34)	613	(11)	612	31
Aerospace	646	53	710	64	1,041	85	1,048	64	1,393	66
Defence	167	14	171	1	171	3	152	2	201	(0)
Motorized Consumer Products	186	(14)	183	(4)	260	14	370	35	519	55
Financial and Real Estate Services	26	(6)	26	(6)	28	3	45	7	52	10
Total	1,351	56	1,429	56	2,078	71	2,228	97	2,777	162
Tax		(9)		(6)		(9)		(15)		(49)
Net income (from continuing operations)		<u>47</u>		<u>50</u>		<u>62</u>		<u>82</u>		<u>113</u>
Average shareholders' funds		<u>280</u>		<u>372</u>		<u>440</u>		<u>553</u>		<u>707</u>
Net income as % of average shareholders' funds		17		14		14		15		16

Source: Bombardier published accounts/MMC analysis.

Note: Currency translation: all figures have been translated at C\$2.14=£1.

3.32. Transportation Equipment profitability suffered in 1993 and 1994 from losses on the Channel Tunnel contract. Aerospace results show a three-year decline in margins since 1992, but in 1996 production of the 50-seat Challenger regional jet is to be doubled from the 1994 rate of two per month. Defence has not been profitable, in contrast with Motorized Consumer Products which showed the best margins on sales.

3.33. During the five years referred to above, approximately 90 per cent of Bombardier's turnover was derived from markets outside Canada.

Shorts

History and development

3.34. Shorts claims to be the world's first commercial aircraft manufacturer and has a long history of civil and military aircraft production. Early operations were based at Rochester in Kent; the Belfast factory was established in the late 1930s and an aerodrome was established on the current site of the City Airport in 1937 as Sydenham Airport. This was requisitioned by the Royal Navy during the Second World War and the company was taken into public ownership in 1943 as a war measure; the Rochester activity ceased in 1947.

By the time the airport was handed back after the war, the RAF airfield at Nutt's Corner¹ had become Belfast's main airport. It was later superseded by the International Airport, previously known as RAF Aldergrove. Sydenham Airport continued to be used for military purposes until the 1970s when these largely ceased, while Shorts continued to use the runway in connection with its aircraft manufacturing business.

3.35. In 1983 Shorts was approached by certain small airlines, which were customers for its aircraft, with a view to opening the runway to commercial operations. Shorts was attracted by this idea both as a source of revenue and as a sales promotion exercise. Accordingly, the City Airport opened for commercial operations in the same year. Further information on BCA and the City Airport is contained in paragraphs 3.41 to 3.50.

3.36. In 1989 Shorts was offered for sale by the Government. In its previous complete financial year it had lost £127 million on a turnover of £192 million. Bombardier acquired the company, and, as it has since decided that airport operations are not a core activity, is now seeking a buyer for the City Airport business.

Current activities

Manufacturing and service

3.37. Shorts is presently engaged in the manufacture of aircraft components, particularly fuselages, engine nacelles, wings and substructures. Its customers include BAe, Airbus Industrie, Boeing and Lockheed Martin and it is closely integrated with the rest of the Bombardier aerospace operations. In 1993 Shorts acquired Airwork Limited in Bournemouth, UK, to expand its aviation support business. There is also a missile business which is a 50:50 joint venture with Thomson-CSF of France. A six-year capital investment programme of £200 million to upgrade facilities was concluded in 1995.

BCA

3.38. BCA is the operating subsidiary of Shorts responsible for running the City Airport business which began in 1983. Further information on BCA is set out in paragraph 3.41 and Appendix 3.2.

Financial summary

3.39. A summary of Shorts' financial performance is set out in Table 3.3.

¹This airfield is situated some two miles from the International Airport and is now a chicken farm.

TABLE 3.3 **Shorts: financial summary**

£ million

	Years ended 31 January				
	1991	1992	1993	1994	1995
<i>Turnover</i>					
Defence systems	93	89	98	4	3
Aircraft and spares	111	92	35	14	20
Aircraft components	147	207	222	228	242
Ancillary services	<u>4</u>	<u>4</u>	<u>26</u>	<u>37</u>	<u>88</u>
Total	<u>355</u>	<u>392</u>	<u>381</u>	<u>283</u>	<u>353</u>
Profit before tax	27	29	28	33	29
Tax	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1)</u>	<u>(4)</u>
Profit after tax	<u>27</u>	<u>29</u>	<u>28</u>	<u>32</u>	<u>25</u>
Shareholders' funds	100	120	140	169	194

Source: Shorts.

3.40. The reduction in defence system turnover in 1994 was caused by the sale of 50 per cent of Shorts' Missile Systems Limited to Thomson-CSF to form the joint venture referred to in paragraphs 3.29 and 3.37.

BCA

History and development

3.41. BCA was originally established in 1983 as a wholly-owned subsidiary of Shorts to own and develop the airport business, following Shorts' decision to start commercial operations. It was originally known as Belfast Harbour Airport Services Limited. Since then, passenger throughput has risen rapidly, almost doubling between 1992 and 1994 to reach 1.2 million (which can be compared with 2.04 million passengers at the International Airport in 1994).

3.42. BCA's site is restricted in size, and operations are constrained by the conditions of existing planning consents. There are restrictions on ATMs, aircraft types, passenger numbers and opening hours.

Current activities

3.43. Paragraphs 3.44 to 3.50 provide a summary of the BCA operation. Greater detail is given in Appendix 3.2.

Airport ownership and management

3.44. BCA's principal assets are equipment, debtors and cash. It also has the use of assets which belong to Shorts, including the runway and some of its terminal buildings. All of the airport land is leased by Shorts from the BHC at £45 per acre a year. Shorts told us that this rent will also apply to a new owner. BCA occupies the airport site under a licence from the BHC and pays a licence fee of [*] per cent of turnover for operating commercial services at the airport. BCA is not charged for the use of the original buildings and runway, the construction costs of which were borne by Shorts many years ago. Shorts told us that these assets will be included as assets of BCA in any sale although they do not appear in BCA's latest balance sheet.

3.45. The BCA management team is largely autonomous on a day-to-day basis. It includes three executives, viz the Airport Director, Financial Controller and Human Resources Manager, who are on secondment from Shorts and whose costs are charged to BCA. The Airport Director reports monthly to the Shorts executive committee (as do Shorts' other divisional heads). A management chart is shown at Appendix 3.7. BCA employs 268 people at the airport, in addition to which there are the workforces of the various concessionaires. Three trade unions are recognized for bargaining purposes.

*Figure omitted. See note on page iv.

Operational activities

3.46. BCA provides all necessary services for the arrival and departure of aircraft, either directly or on a contracted-out basis. Those provided directly include take-off and landing services, navigation aids and approach and visual ATC, parking and marshalling, ramp services, ticketing, check-in and boarding, fire control and security (see Appendix 3.2). These services are covered by a composite fee charged by BCA per arriving passenger, and negotiated individually by each carrier. BCA told us that the present annual level of ATMs is approximately 32,000 and the passenger throughput 1.25 million. The planning limits provide for 38,000 ATMs and for a maximum of 1.5 million tickets to be offered for sale by airlines operating at the City Airport.

3.47. Services provided at the City Airport by concessionaires include aircraft refuelling, in-flight catering, terminal catering, terminal shops, car hire, taxis and advertising.

3.48. There is a single runway, with no parallel taxiway. The length and strength of the runway restrict aircraft size to unlimited movements of the 103- to 128-seat BAe 146-300, and limited movements of the 149-seat Boeing 737-300 (and aircraft of equivalent size). The largest aircraft in use on scheduled services at the City Airport is the BAe 146-300.

Financial summary

3.49. A summary of BCA's financial performance is shown in Table 3.4 which has been compiled from BCA's management accounts. BCA's published audited accounts show reduced profits in 1994 and 1995 because of management charges which were charged retrospectively by Shorts. Shorts told us that there would not be any material changes in costs from those shown in the management accounts were BCA to be transferred to a new owner.

TABLE 3.4 **BCA: financial summary**

	Years ended 31 January					£'000	
	1991	1992	1993	1994	1995	B1996*	
Turnover	3,560	4,151	4,941	6,566	9,225	[
Operating profit	[<i>Figures omitted. See note on page iv.</i>]	
Interest receivable	58	81	70	26	13		
Profit before tax	[<i>Figures omitted. See note on page iv.</i>]	†
Tax	0	0	0	0	(155)		
Profit after tax	[<i>Figures omitted. See note on page iv.</i>]	
Average shareholders' funds	2,859	4,007	4,238	4,270	4,441]	
Post-tax profits as % of average shareholders' funds	[<i>Figures omitted. See note on page iv.</i>]	

Source: BCA management accounts/MMC analysis.

*Budget.

†Figures omitted. See note on page iv.

Notes:

1. All management charges have been excluded from operating profit.
2. A pension contribution credit of £79,000 in 1995 has been excluded from profit.
3. Shareholders' funds includes amounts due to or from the parent company.
4. Performance has been enhanced by the receipt of capital grants-see paragraph 3.50.

3.50. Post-tax profits since 1994 have represented a return exceeding 30 per cent of shareholders' funds and reflect the effect of increasing turnover in a business with a high proportion of fixed costs together with the effect of capital grants. Capital grants are deducted from the cost of fixed assets in BCA's books and have amounted in aggregate to £5.2 million. As at 31 January 1995, BCA's balance sheet showed fixed assets at cost of £6.0 million (net of grants) and a book value of £4.4 million. Further financial information is contained in Appendices 3.8, 3.9 and 3.10. BCA's management accounts to 31 July 1995 show turnover and operating profit for the year to date ahead of the previous year's figures.