

Working Together to Succeed

***“Advance to contract - Are you silver lined
or armour plated?”***

**SUPPLYING
THE
DEFENCE SECTOR**

“ARE YOU FIT FOR BUSINESS?”



Agenda

Financial Support

Financial Strength

The Business Cycle

The Funding Gap

How can we help?

Controlling and protecting financial costs

What we look for – non financial

Testimonials

Financial Support

The stages:

Pre-contract preparation – Involve professionals as early as you can.

During contract life – Dependency (supply/customer), diversification, opportunity.

Contract renewal / Growth or new tenders – involve professionals again.

Financial Strength

What makes you financially strong?

Profit?

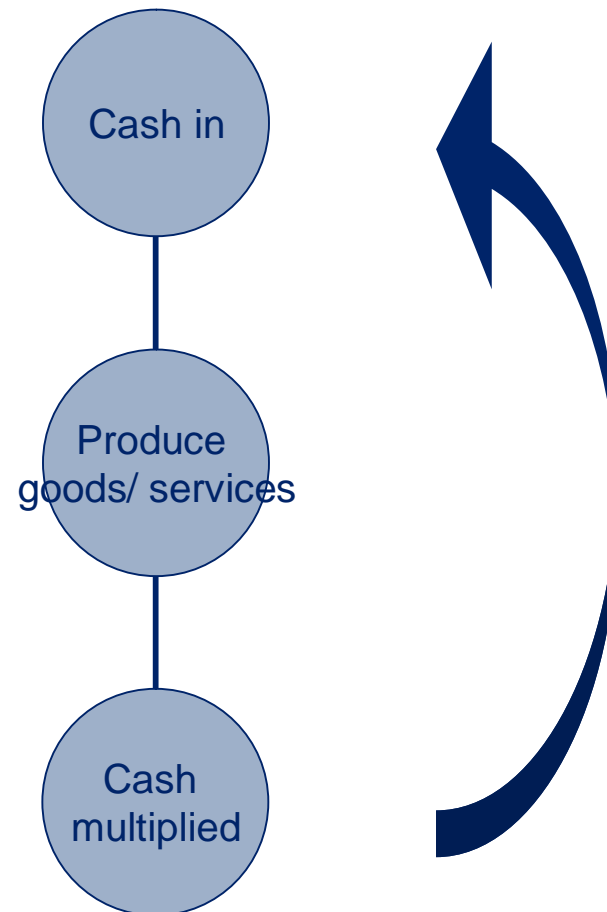
Sales?

Return On Capital Employed?

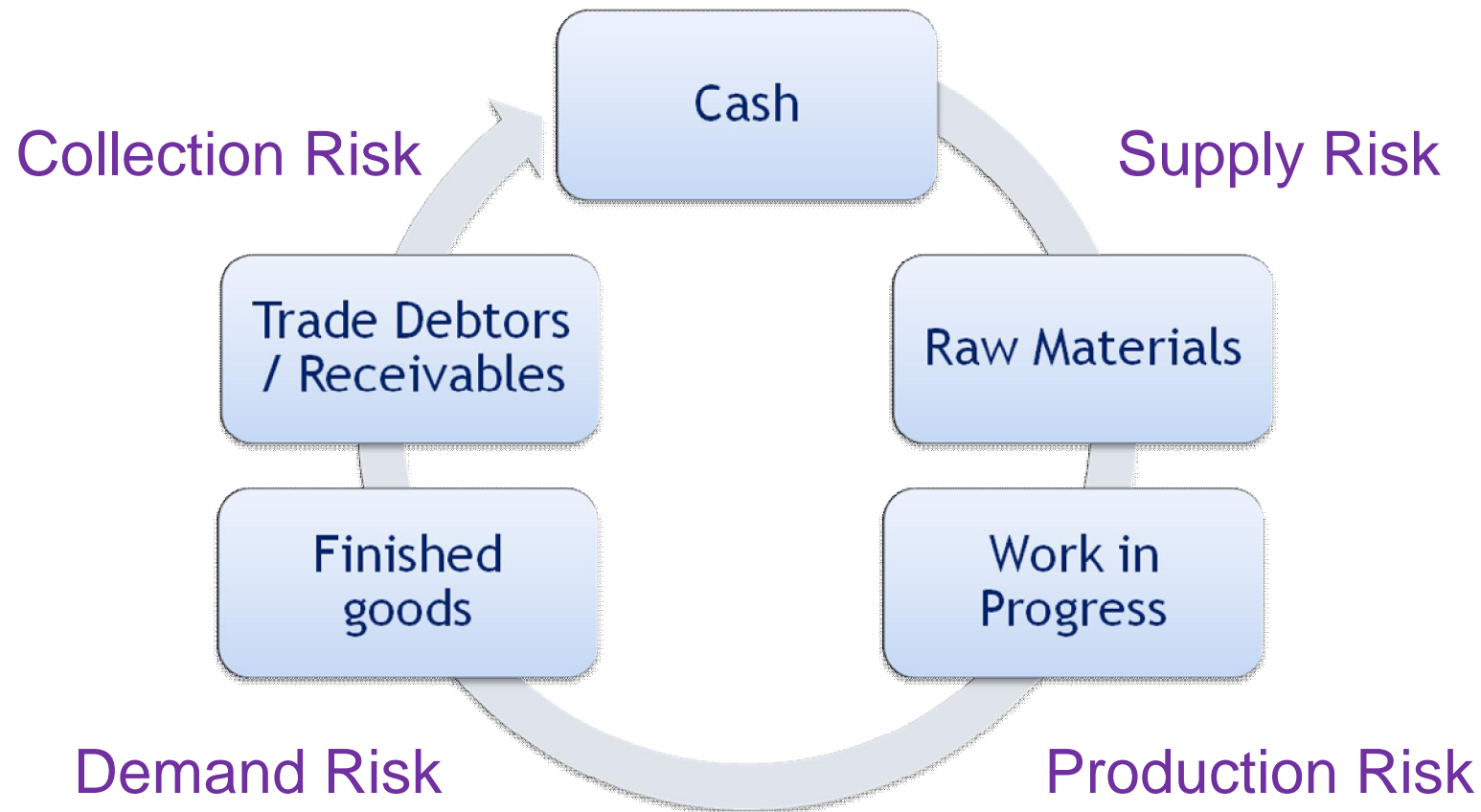
CASH!!!!

Liquidity

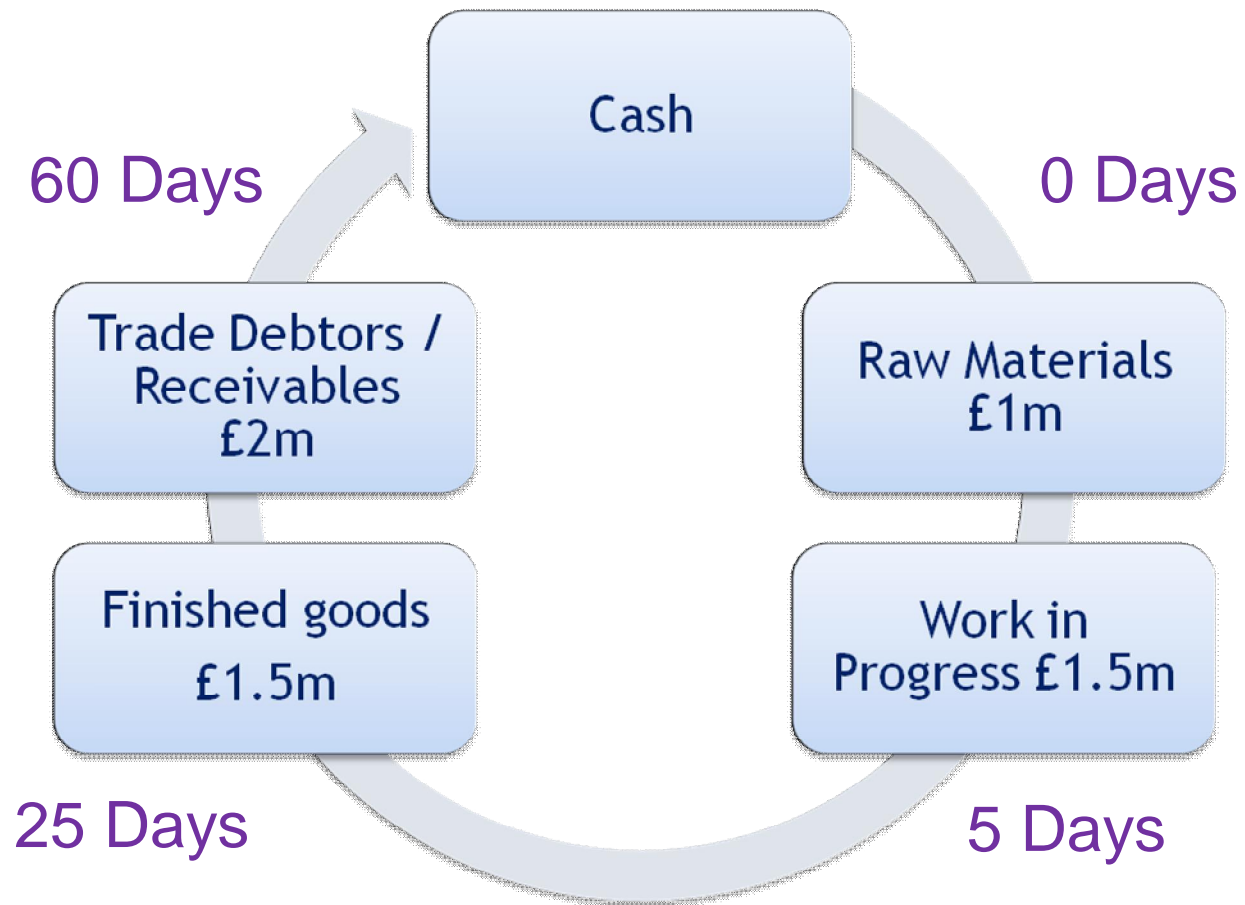
It's all about the ability to deliver.....



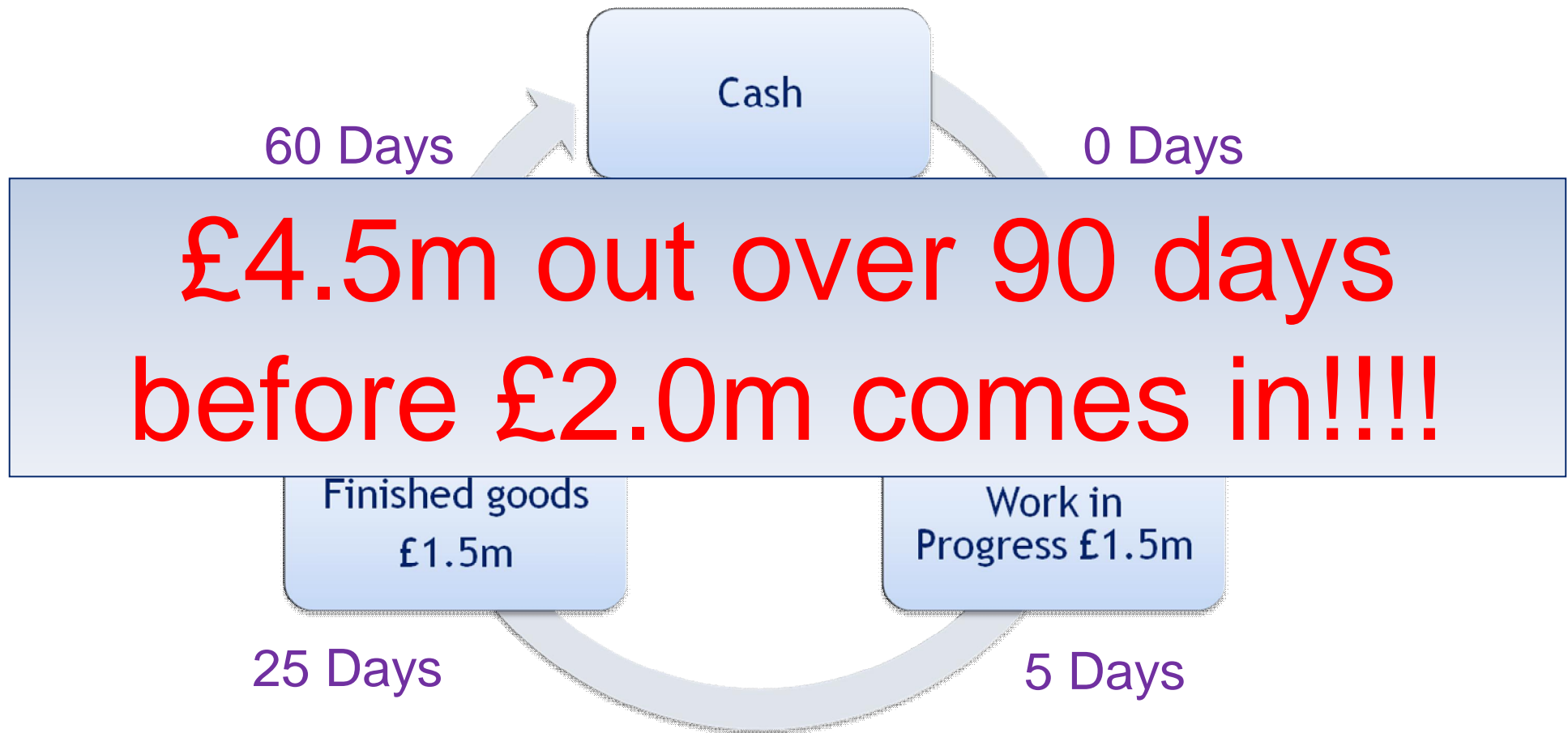
The Business Cycle



The Funding Gap



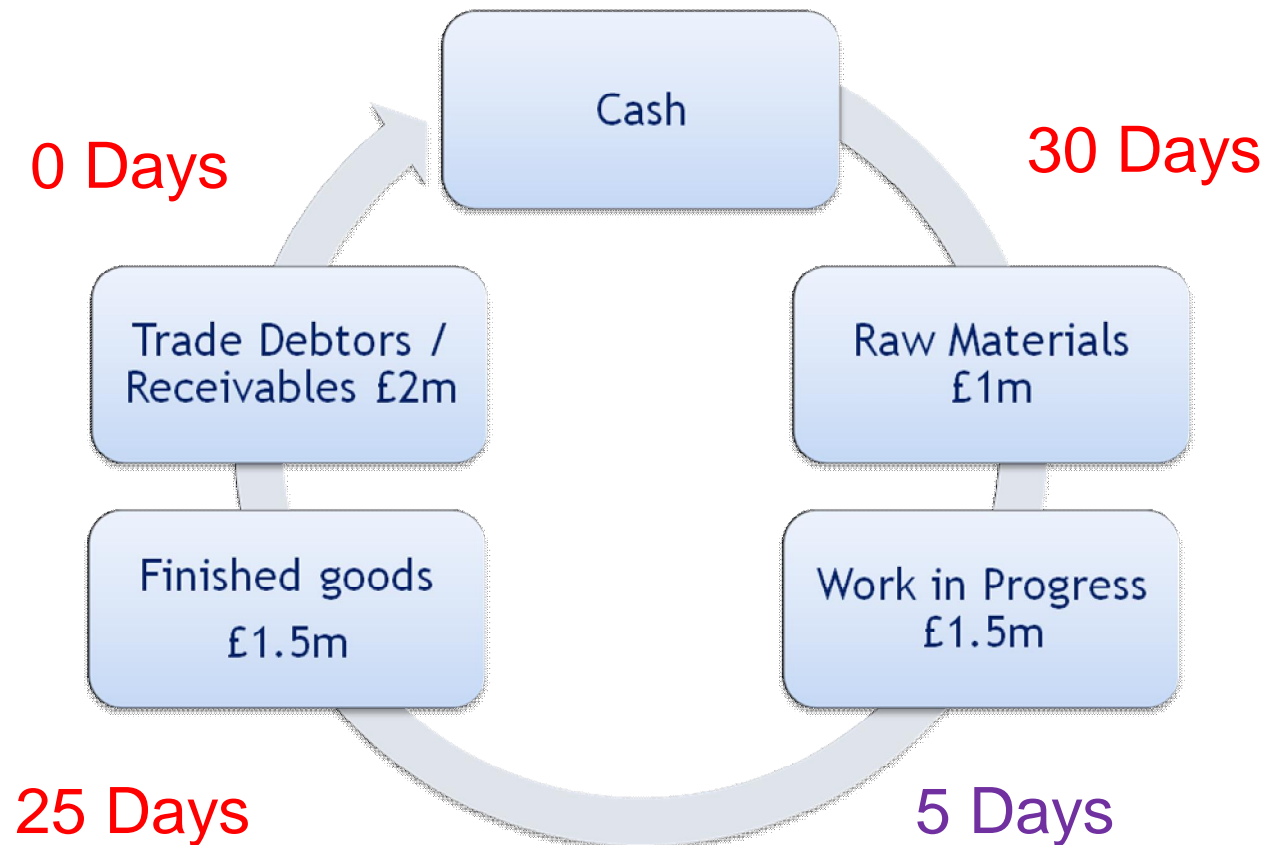
The Funding Gap



How can we help?

- Products
- Invoice discounting
- Asset finance
- Stock funding
- Import loans
- Global cash management
- Bonds and Guarantees
- Letters of Credit
- Trade Cycle Finance
- Overdrafts
- Term loans
- Small Firms Loan Guarantee Scheme
- Derivatives
- Liquidity manager

The Funding Gap - areas to consider



Controlling and protecting financial costs

- Why?
- Fixed price contract (protect margins)
- Cost plus contract (conditional)
- Urgent Operational Requirements (maximise margins)
- Interest Rate Risk
- Foreign Exchange risk
- Commodity Risk

What do we look for ? – Non financial information


- **Vision and Planning** – Management plans for the business
- **Business Risk** – Knowledge of sector and related risks.
Contingency plans
- **Business Finance** – Financial awareness and skills of
management team
- **Managing Risk** – Nature, quality and usage of management
information system
- **People Risk** – Balance of team, dependency on key individuals,
succession planning, background means

Testimonial

NatWest

Commercial Banking, High Wycombe

NatWest funds EKA to deliver major UK defence contract



From left to right: Keith Bendall, Project Manager, EKA; Bill Forster, Managing Director, EKA; Nick Jones, NatWest; Carl Wood, NatWest

Gerrards Cross-based EKA Limited has completed the first stage of a multi-million pound defence contract with financial backing from NatWest. Funding has allowed EKA to produce the initial tranche of five recovery units for MAN ERF, the primary contractor to the Ministry of Defence, with a further 283 to follow. This is part of a multi-million government programme to upgrade the MoD's logistic vehicles over the next seven years.

Founded in 1975 by Managing Director Bill Forster, EKA Limited designs and supplies heavy recovery systems, container transfer equipment, and winches for a range of military and civil applications and has been a supplier to the MoD for over 25 years.

The deal was structured by Nick Jones, Senior Manager, for NatWest's Commercial Banking team in High Wycombe, and Carl Wood, Manager, International Banking Services. NatWest provided EKA and its suppliers with an effective structured solution to work with EKA's suppliers and customers. NatWest also provided import credit letters to guarantee payment to suppliers importing components from Europe.

Nick Jones, Senior Manager at NatWest said, "We have been working on this project for over eight years and I was delighted that NatWest could provide the financial structured solution to make it happen. This is the first tranche of units in what should be a fantastic long-term opportunity for Bill and the EKA team."

To find out more...
For further information on this transaction, please contact:

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RBS
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Commercial Banking, Reading

Hawker Hunter Aviation flies high with The Royal Bank of Scotland



From left to right: Alan Edwards, Relationship Manager, RBS; Mat Potulski, Managing Director, HHA; Will Taylor, New Business Co-Ordinator, RBS

Hawker Hunter Aviation Ltd (HHA) celebrated its business success and new banking facilities with The Royal Bank of Scotland (RBS) at its home base of RAF Scampton in Lincolnshire.

HHA, with offices in London and at RAF Scampton, is the largest operator of former military jet aircraft in Europe and the only one offering private sector outsourcing of realistic, high speed aerial threat simulation and mission support training services to the Armed Forces and Defence Contractors.

HHA has a fleet of twelve Hawker Hunters, a Buccaneer S2B and an SLU22 on hand to replicate the majority of the profiles of the Air Forces themselves, ranging from all aspects of aerial combat training to high speed photo chase and radar calibration.

HHA can also appear at national airshows selling advertising space on its fighter jets to companies wishing to increase its profile in an unusual way. Current Ministry of Defence regulations prohibits the display of sponsor's logos on aircraft but this rule does not apply to privately owned military aircraft.

RBS worked with the management team of HHA to create a tailored banking facility for the unusual business. As a new customer to RBS, HHA needed a bank that could understand their business and work fast and closely with them.

Alan Edwards, Relationship Manager, RBS Commercial Banking commented: "We've enjoyed working with Mat and his team to provide a banking package which suits their requirements and needs. HHA offers an exciting new opportunity which we are proud to support."

Mat Potulski, Managing Director, Hawker Hunter Aviation Ltd

"The RBS team were great to work with being both flexible and responsive, providing solutions that would work for our company. We are an unusual business and we needed a team to recognise that and work with us, being aware of both our current needs and likely future development."

To find out more...
For further information on this transaction, please contact your local Relationship Manager.


www.rbs.co.uk

The Royal Bank of Scotland plc. Registered Office: 36 St Andrew Square, Edinburgh EH2 2TB. Incorporated in Scotland No. 00173

NatWest

Commercial Banking, North Staffordshire

NatWest funds buyout of AWS Electronics Limited



From left to right: Paul Stokes, NatWest and Paul Deehan, AWS Electronics Limited

AWS is a longstanding customer of NatWest. The business supplies a wide range of outsourced, contract electronic manufacturing services to the Advanced Technology, Scientific, Food, Medical Equipment, Aviation and Defence sectors with high specification electronic solutions. End products vary from complex cable or wiring harnesses to hi-tech surface mount circuit boards and assemblies.

With the NatWest's support, Managing Director Paul Deehan acquired a majority stake in the business at the end of 2005.

The Bank had an existing strong relationship with the company, and through its knowledge and understanding of the business were able to convince Mr Deehan that the acquisition finance should be provided by NatWest, rather than taking up offers from any one of three other competitors who were keen to assist.

"NatWest proved to be a valuable partner in the acquisition process. Knowing my business well, they provided a funding package that was flexible enough for my requirements."

Paul Deehan, Managing Director, AWS Electronics Limited

The Bank provided a suite of financial products to support both the buy out and the ongoing operational requirements of the company through the provision of a Term Loan, Guaranteed Vendor Loan Notes and the introduction of its product partners, RBS Invoice Finance and Lombard to provide working capital and asset finance respectively.

Paul Stokes, Senior Manager, NatWest Commercial Banking commented: "AWS is at the leading edge of technology in their market and we were delighted to help Paul assume a majority shareholding in the company, involving the full capabilities of the bank to provide a funding package to meet all requirements."

To find out more...
For further information on this transaction, please contact:

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RBS
The Royal Bank of Scotland

www.rbs.co.uk

Commercial Banking, Farnborough

RBS assist RSM to win lucrative contract



From left to right: Peter Bolt, RBS; Harry Lee, Engineer RSM; Graham Scott-Barrett, Lombard; Andrew Meyrick, RSM

The Royal Bank of Scotland's Commercial Banking team in Farnborough has provided a £930,000 funding package to local business RSM Aerospace, assisting the business to win a £25 million Rolls Royce contract.

Based in Farnborough, RSM Aerospace is the wholly owned subsidiary of PFW Aerospace in Speyer, Germany, which has been operating for over 16 years and is a world-class supplier to the aerospace industry, manufacturing a wide range of precision components from pipes and ducts to airframe structural components. The new contract will see RSM making pipes for a variety of Rolls Royce Engine programs, used on a wide range of both military and civilian aircraft.

To support RSM's bid, Andrew Meyrick from RSM switched the business' banking partner, enlisting the local banking services of RBS and asset finance support of Lombard, to allow the business to put in place the necessary funding package and equipment to win the contract.

Peter Bolt, Manager, RBS Commercial Banking, commented: "This is a great win for RSM. Having become close to Andrew and the management team, I was able to fully understand their requirements and crucially provide the right financial support for the business to win the Rolls Royce Contract."

"The support provided by Peter at RBS and Graham at Lombard was one of the crucial elements to our business winning the Rolls Royce contract. The level and efficiency of service provided has been impressive."

Andrew Meyrick, Director, RSM Aerospace

To find out more...
For further information on this transaction, please contact your local Relationship Manager.

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